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PRS-NEA-87-067
9 JUNE 1987



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NEAR EAST & SOUTH ASIA

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PROBLEM OF SUBORDINATION TO WESTERN ECONOMY REVIEWED

London AL-MAJALLAH in Arabic 22-28 Apr 87 pp 32-34

[Article by Fadiyah al-Zu'bi: "The Issue of the Smuggling of Money out of the Arab World"]

[Text] The subject of the flight of money abroad, especially from countries suffering from the burden of foreign debts, has risen to the surface. However, this phenomenon is an old one and is considered one feature of the developing countries' international economic relations. Alongside that lurks a pressing problem, which is the issue of foreign indebtedness. If we set Kuwait and the Kingdom of Saudi Arabia aside, all Arab countries suffer from the problem of foreign debts. Their total debts come to \$140 billion. In the context of the international economic situation and its circumstances, the two problems of the flight of money abroad and accumulated debts become issues which are difficult to solve. Economists have suddenly started talking about the phenomenon of the connection between the flight of money and accumulated indebtedness. It is possible to define 1984 as the starting point of extensive interest in the smuggling of money, while the Bank of International Settlements in its annual report made a reference in a paragraph which stated that the quantity of money which left the countries of Latin America in the period 1978-1983 and was deposited in the names of individuals in foreign banks and financial institutions is estimated at about \$50 billion.

In the context of an investigation into the causes of and solutions to these two problems, AL-MAJALLAH met with Dr Ramzi Zaki, professor of economics and consultant in the Arab Planning Institute in Kuwait, who has enriched the Arab literature with four books on the problem of foreign indebtedness.

[Question] What is the difference between money that has taken flight and smuggled money?

[Answer] There is an essential difference between the two expressions. Money that has taken flight consists of money which is deposited in the name of individuals abroad for purposes of investment in areas which yield a greater return and are more guaranteed and secure for capital. It normally is to be found in countries where the currency is convertible and where there are no restrictions on foreign payments. It is a well-known, familiar, old

phenomenon which economists refer to by what is known as intensive movements of capital. These are movements in which changes in the interest rate and investment opportunities in the world money market have an effect. They are a phenomenon which is not prohibited by law, but is considered a form of legitimate investment behavior. The flight of money here might take the form of savings deposits in foreign banks, the purchase of stocks, bonds and treasury certificates or investment in certain projects. It is money which is native to specific countries but prefers investment abroad in view of purely economic factors. Smuggled money is money which has left its countries by illegal means and whose owners have invested it in their names in various forms for investment. Smuggled money in this sense is money which has left countries in the wake of a system of exchange oversight where the currency is not convertible and the laws in effect impose a prohibition on the export of moveable wealth (except in the light of specific bills and laws). Therefore the departure of money abroad unofficially is something which the laws of these countries prohibit and most probably economic factors (such as the exchange rate, the level of the interest rate, the buying power of money, the average rate of profit and so forth) do not play a basic role in the course of the flight of this capital. Smuggling in this sense is the covert departure of money by means of illicit gain for deposit in the names of its owners abroad.

Forms and Methods

[Question] What are the forms and methods by which money is smuggled abroad?

[Answer] There are a number of methods and forms, among them:

1. When an exporter in a country which engages in exchange oversight provides false data concerning the value of what he exports. In this case an exporter might export a commodity whose actual value is 150 cash units but reach agreement with an importer abroad that he will offer him invoices valued at 100 cash units, provided that the difference be put in his name in an account he has in a foreign bank. Here we find that the government concerned has lost the 50 cash units this exporter has smuggled out.
2. Smuggling might assume the form of false data the importer submits to monetary authorities. The importer supplies the country with a commodity at a specific price, which might be 100 cash units, but reaches agreement with the foreign exporter to mention in the invoice that the value of the transaction is equal to 150 cash units. He also might reach agreement with him to deposit the difference in his name in a foreign bank. Here we find that the country concerned will pay 150 cash units abroad while it will have imported a commodity for the equivalent of 100 cash units, and 50 cash units of that will have been smuggled out.
3. Smuggling might assume the form of a drain of money abroad and trafficking in foreign currency. Normally money smugglers deposit their profits and wealth abroad. For this reason, we consider all the financial papers of a given country's currency that exist abroad when this currency is not convertible to be a kind of smuggling of money.
4. The smuggling of money might also assume the form of commissions, brokerage and mediation which provide large illicit incomes to certain individuals

and figures who act as middlemen in contracting loans and supplying commodity, service and military transactions.

It is striking that the greatest amount of smuggled money has gone out of countries that are laboring under the burden of foreign debts. Obvious examples in this regard are the cases of countries of Latin America, since the ratio of the money smuggled abroad to their total foreign debts accounts for an extremely large volume (in Argentina this ratio comes to 75 percent); in the case of the Arab countries we find that the ratios are also frightful. They are to be found in Arab countries with stiff financial restrictions, which are mostly debtor countries.

[Question] What is the danger of this phenomenon for debtor countries?

[Answer] Here we hasten to say that money smuggled abroad is in reality national income of which the debtor economy is being deprived. It does not enter into the cycle of the national economy from which it departed and it is used in the economies to which it was smuggled. Although this money abroad yields revenues and incomes for its owners, the economy concerned does not benefit from these incomes and revenues. Indeed, the debtor country might borrow some of this money through a third intermediary. It is as if the country here is borrowing its own money. There is no doubt that money smuggled abroad in the light of this analysis weakens the capacity of the countries it has left for investment, consumption and growth, and it clearly weakens the ability of the debtor country to service its foreign debts, which is something that requires further indebtedness. To that it should be added that the mere presence of massive funds deposited in the name of individuals from a specific country abroad raises doubts among foreign investors about the economy of the country concerned, and they are afraid of investing their money in a country in which this phenomenon exists.

The Connection between the Flight of Money and Debts

[Question] What in your opinion are the reasons which have prompted attention to this phenomenon to be stirred up recently on a broad international scale?

[Answer] There is a firm relationship between the raising of this issue and the aggravation of the problem of debts and foreign pressures to which the debtor countries are exposed. In my view, the international financial and monetary organizations raised this issue while the problems of the payment of foreign debts now owed by the countries of the third world were being exacerbated, especially with the large number of requests for the rescheduling of debts and the suspension by many of these countries of the payment of debt burdens. The creditors and the people representing their interests believe that if this fugitive money returns to its debtor countries, that will enable these countries to pay a substantial portion of their accumulated foreign debts. This matter concerns the creditors in the first place. This statement is correct in the sense that the ability of the debtor country to pay its foreign debt will increase if this money returns to it. On the other hand, the creditors use the need that this money return to its countries as a means of pressing these countries to continue further pursuing liberal

policies and greater and greater openness toward the foreign world. They thereby interpret the smuggling of money from an extremely narrow point of view, and claim that this money left its countries because the exchange rate was exaggerated, that the country was imposing restrictions on foreign payments and conducting surveillance over foreign trade and that severe inflation, an obvious drop in the real interest rate and high taxes on incomes and profits on capital existed in it. Therefore they claim that the debtor countries from which this money has departed must correct their monetary, financial and trade policies. Here they counsel the following:

1. A reduction in the exchange rate.
2. The floating of the value of the domestic currency.
3. A rise in the interest rate.
4. A reduction in taxes on profits on capital.
5. Elimination of restrictions on foreign payments.
6. Freeing-up of foreign trade.
7. Creation of a suitable general atmosphere for the local and foreign private sector.

The gist of these recommendations is further liberalism, reduction of the government's role in economic activity, its removal from intervention in areas of investment and development and the grant of free rein to the forces of the market (the forces of supply and demand). What the proponents of this tendency recommend in the form of permitting the local and foreign private sector to own public sector projects and public service facilities also falls within this category.

[Question] Is it possible for this money to return to its countries if the debtor countries carry out the abovementioned recommendations?

[Answer] My immediate answer is no. The reason is extremely simple, and that is that the reason for the smuggling of this money which has fled abroad is not attributable to economic factors so much as to the spread of bribery, administrative corruption, the destruction of people's integrity, scant respect for the government and the failure to apply the laws carefully.

The Arabs' Foreign Debts

[Question] What are the dimensions of the problem of Arab indebtedness?

[Answer] The foreign indebtedness of the Arab countries is estimated at present at about \$140 billion, which accounts for 13 percent of the total foreign debts owed by the countries of the third world. One can say that all the Arab countries now, with the exception of Kuwait and the Kingdom of Saudi Arabia, lie within the ranks of debtor countries. However, this Arab indebtedness is concentrated basically in five countries, Algeria, Egypt,

Morocco, Tunisia and the Sudan, since these countries' indebtedness amounts to about 80 percent of the Arab countries' entire indebtedness. The fact is that the general context in which these Arab debts developed was not different from the general context in which the debts of the third world developed. This is particularly true with respect to the accelerated development under which these debts grew, the change which has occurred in their volume, the severe burdens which have arisen from them and the connection of all this to the aggravation of the problem of the deficit in their balance of payments. The burdens of these debts have reached a critical level since the continued payment of burdens of debt service (interest and installments) has started to consume the bulk of the foreign currency receipts available to these countries, and this is something that threatens the possibility of maintaining the necessary level of consumer, intermediate and investment revenues. Thus there now is a contradiction between the continued payment of the debt burden and continued development and rise of the standard of living. Some Arab countries are facing this dilemma at the present time.

[Question] What in your opinion is the essence of the nature of the crisis of indebtedness in general and in the Arab countries in particular?

[Answer] In order to respond to this question it is necessary to refer to three basic currents which interpret the nature of this crisis:

The first current considers that the foreign debt crisis may be attributed basically to the presence of surplus demand in these countries, in the sense that the volume of total demand for goods and services (in the consumer area and the investment area) exceeds the real supply of the goods and services available to these countries, which compels officials to meet the deficit by seeking the aid of borrowed foreign resources. This appears clearly where these countries consume more than they produce, invest more than they save and import more than they export. This view holds that the treatment of the problem requires the elimination of surplus debt through a reduction in consumer demand and investment demand. The meaning of this is that these countries must adopt a policy of contraction which will reduce the standard of living and put a halt to the development process. The International Monetary Fund and the economists and experts who embrace its view clearly represent this theory.

In my opinion this diagnosis is fundamentally wrong because it attributes the problem of indebtedness to purely internal factors and to the mistakes economic policies in the debtor countries have committed, while a scientific analysis will show us that a large, substantial part of the problem of indebtedness may be attributed to foreign factors which the debtor countries cannot control, such as the deterioration in the prices of the debtor countries' exports, the rise in the rates of interest on loans, the rise in the prices of materials they import from the international market, the state of recession in the world economy and the fluctuations and instability in the exchange rates of foreign currency. The acceptance of this diagnosis means acceptance of the deterioration of living conditions in the debtor countries and the suspension of development for the sake of the payment of the debt. That is something which the majority of the debtor countries now reject.

The Second and Third

The second current diagnoses the crisis of foreign indebtedness as a problem of world liquidity, in the sense that the debtor countries' basic problem is represented by a deficiency in means of payment and international reserves because of the international recession and the disruption of conditions in the international money markets, which have in recent years pursued a policy of contraction in borrowing, especially with the eruption of the crisis of bank loans in 1982. Therefore, the proponents of this current call for the need to provide liquidity to these countries by giving them more loans and aid and working to stimulate the industrial capitalist economies so that their demand for these countries' exports will increase, on condition that these countries carry out the corrective policies the International Monetary Fund demands. The initiative of James Baker, the American secretary of the treasury, stands out before us in this regard: in Seoul, Korea, in 1984 at the meeting of the governors of the International Monetary Fund and the World Bank, he counselled that it was necessary to pump more loans and aid into countries with critical indebtedness. In my view, this view frankly or implicitly acknowledges the serious nature of the influence of foreign factors on the aggravation of the problem of world indebtedness although from the actual standpoint there are difficulties facing the execution of these recommendations. On the one hand, the banks and world credit centers have continued to reduce loans to the debtor countries, not to speak of the low level and reduction in the volume of aid and economic grants offered to them. On the other hand, we find that the connection between the flow of loans to the debtor countries and the application of the policies the International Monetary Fund recommends causes us to revolve in the unfair, impractical policies which the proponents of the first current advocate.

The third current considers that the crisis of indebtedness in third world countries now reflects these countries' bankrupt condition, in the sense that the volume of the loans now owed by these countries and the burdens they have produced cannot be paid off in the near or long term, that is, that these countries are unable to pay the burdens of their foreign commitments no matter what aid is offered to them and no matter how well they are spent. Therefore it is better to hasten to settle the situation, impose attachments on the debtors, sell their assets and distribute them to the creditors. On the basis of this pessimistic view, the proponents of this approach have proceeded to propound their recommendations for the change in the form of creditors' rights through their participation in the ownership of some productive assets in the debtor countries, in the sense that they recommend to these countries that they give creditors permission to take part with the government in the ownership of factories, institutions and companies the public sector owns, provided that the new owners (the creditors) be permitted to manage these projects on commercial bases which will yield reasonable economic returns. The unfortunate thing is that this grave recommendation has started to be carried out in a number of debtor countries such as Turkey, Chile, Mexico, Brazil and so forth. Perhaps there now are a number of Arab countries in a critical state of indebtedness which are subjected to pressures from creditors for the execution of this recommendation. In my view, this is the most dangerous of the tendencies which now prevail in the context of the solutions advanced for emerging from the dilemma of

indebtedness, and this recommendation is only a return to old colonialism. However, from the historic standpoint this recommendation found its practical execution in Egypt's experience in the 19th century, when the Khedive Isma'il was compelled to sell Egypt's share of stock in the Suez Canal in payment for a debt he had incurred, and thus Egypt lost its foreign currency revenues which this vital important facility was yielding until the late Egyptian president, Jamal 'Abd-al-Nasir, nationalized this facility.

Failure of Development Leads to Indebtedness

[Question] Since you reject these three currents of diagnosis of the crisis of indebtedness and the solutions produced by them, what in your opinion is the essence of the nature of this crisis and the best means for eliminating it?

[Answer] At the beginning, let me hasten to say that the crisis of foreign indebtedness in its current state offers the best expression of the consequences of dependence and reliance on others and the failure of the pattern of development which these countries have pursued in the past two decades. It is an inevitable outcome of the debtor country's position in the system of the international division of labor and unequal financial, commercial and monetary relations within the world capitalist economy. It is the situation which causes these countries to absorb the blows and foreign crises from which the world economy is now suffering. These countries have imagined that it is possible to accelerate the development process, raise the standard of living in the short term and increase their investment through excessive reliance on foreign financing without being concerned with changing the foundation of their subordinate economy and increasing their capacity for self-financing, imagining that it is possible to continue along the road of indebtedness and the road of development without having problems arise in the long range. This has been an obvious illusion, because borrowing yesterday means having to pay today, and borrowing today means having to pay tomorrow. Therefore, neglect of the issue of the mobilization of local resources, increased self-reliance, an increase in the volume of local savings and the readiness to pay off debts is the mistake which has recently besieged these countries.

Pressing Duties

[Question] What is the solution?

[Answer] Frankly, I can say that we as economists in the third world must not expect the solution to come from abroad, but we must seek the solution which will guarantee our interests and our aspirations in realizing economic liberation, independent development and a rise in our peoples' standard of living. In my view, this is possible if we use the elements of strength we possess. This requires the realization of two important things: the first is adoption of the strategy of self-reliance, which is the strategy that represents the opposite of the distorted, subordinate development strategies that have dominated these countries in the two so-called development decades in the past, which naturally brought the crisis of foreign indebtedness to the fore. The second thing is a review of the pattern and philosophy of

development. Instead of rushing after pro forma modernization and emulation of the luxury life patterns dominant in the industrial countries of the West, we must direct ourselves through this requisite development toward satisfying the basic material and moral needs of our Arab people. However, these things will be realized only in the long range. Therefore, the question arises on the means for coping with the crisis of indebtedness in its present situation. Here I have considered that the most important pressing duties which it is mandatory that one hasten to carry out are:

First, haste in forming an international club of debtors in order to confront the strength and power of the Paris club of creditors, where the task of this club will be to defend the interests of the debtors and their legitimate aspirations toward attaining economic and social progress for their peoples and coming up with a group of appropriate rules and criteria for solving the crisis of international indebtedness in a manner which will keep this crisis from exploding, so that the debtors and the creditors will not destroy one another. When this club is formed, it will then be possible to call for an international conference in which this problem will be discussed in its international, political and economic dimensions.

Here it might be pertinent to freeze debts for a long period (from 10 to 20 years), reduce interest rates, eliminate some debts, change the methods of payment (such as payment through exports) and other recommendations. Unity is strength, as they say. The debtor countries must become united and strengthen themselves, because this is the most important condition for making political dialogue and negotiations on debts feasible for the debtors.

Second, there is a need to support cooperation among the debtor countries themselves in the economic, commercial, monetary and technological areas, far removed from the mediation of any third party.

Third, housecleaning from within, which is the objective, since the debtor countries must review many of their economic policies (monetary, financial and commercial), eliminate various aspects of profligacy and waste in the use of resources in the private and public sectors, guide the disbursements of foreign cash revenues, control the gateway of foreign trade, specifically in the area of imports, combat the smuggling of money and work constantly to raise the level of local savings and reduce borrowing from the foreign world, especially short-term foreign loans at world prices.

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FOREIGN MINISTER ON INTERNATIONAL PEACE CONFERENCE

Cairo AL-AKHBAR in Arabic 21 Apr 87 p 5

[Interview with Foreign Minister 'Ismat 'Abd-al-Majid by Muhammad Barakat; date and place not given]

[Text] In a comprehensive interview to AL-AKHBAR Dr 'Ismat 'Abd-al-Majid, deputy prime minister and minister of foreign affairs spoke of the Egyptian view of the international peace conference, its goals, procedures for convening it, the nations and parties participating in it, the Arab position on the conference, the Jordanian and the Palestinian positions, and developments in the American position. He examined Egyptian efforts exerted on all levels to achieve the goals of the conference and to eliminate the obstacles which are in its way. Below is the text of the interview with the deputy prime minister and minister of foreign affairs with AL-AKHBAR.

[Question] Mr Deputy Prime Minister and Minister of Foreign Affairs, it is obvious that currently there are intensive Egyptian efforts to convene an international Middle East peace conference on diplomatic and political levels. What are the dimensions of these moves and have the results been positive?

[Answer] Egypt is completely convinced of the necessity to expand and strengthen peace in our region through negotiations between all concerned parties; and the international peace conference is the framework through which these negotiations must proceed.

Therefore, President Muhammad Husni Mubarak and Egyptian diplomacy spare no efforts in working toward this goal. Our initiative is relentless and intensive and aims to support the idea of holding the international conference and to overcome all the obstacles which block its convocation. In addition we seek to achieve a unified Arab and Palestinian position in the negotiations.

If we consider the dimensions of the Egyptian initiative, we find that it is integrated and well studied. It began some time ago on all levels and with all parties in the region and the influential international powers. This initiative is distinguished by the clearness of its objective and full awareness of all national and international realities.

Among the priorities of the Egyptian initiative are continual coordination and consultation with Jordan and the Palestine Liberation Organization.

This process is going very well and is characterized by mutual trust and the shared desire to support the Arab and Palestinian position.

We have succeeded in bringing about Israeli acceptance of an international conference through Egyptian contacts with Israel. This is a major accomplishment, made possible because of the meeting of President Mubarak and Peres in Alexandria in September of last year, and reiterated in the statement which was issued on Peres' visit to Cairo in February of this year.

Influencing the American Position

Furthermore, there are also Egyptian-American contacts which have resulted in influencing the American position regarding the acceptance of the idea of convening an international conference. In addition, we are pursuing our contacts with the Soviet Union and the European Community. The statement which the Community issued last February 23 endorsed the conference and this is undoubtedly a positive step.

Concurrent with these contacts, we have undertaken consultations with the secretary general of the United Nations and with the member nations of the Security Council.

We are also moving within the framework of the non-aligned movement, the Islamic Conference Organization, the United African Organization and Asian and Latin American nations. There is no doubt that the position of these groups assist our efforts to convene the international conference. The positive and constructive role that Egypt has assumed is a distinguished role because Egypt, if I may say so, is the only party who can communicate with all the parties. There is no question that this role is appreciated by everyone. We will continue with our initiative and we hope to overcome all obstacles. It is incumbent on the other parties to bear their responsibilities so that the international conference may be held as soon as possible.

Consultation With All Parties

[Question] What is the Egyptian viewpoint regarding the international peace conference in terms of its goals, the procedures for convening it, and the nations or parties participating in it?

[Answer] There is no doubt that Egypt has its own vision concerning all those issues, but at the same time we strive to consult with all parties on these matters so that no single party can impose a certain view on the others.

We see that the international conference must lead to a comprehensive settlement of the Arab-Israeli dispute that would guarantee the return of all occupied Arab lands, the restoration of all the national rights of the Palestinian people, and the achievement of coexistence for all the peoples and nations of the region in peace and security based on justice.

Hence, the international conference must aim to implement the United Nations resolutions concerning the Middle East problem and the Palestinian question

within the framework of international legality and international law. Obviously, the most important among these resolutions are the two Security Council resolutions, 242 and that the international conference may be held as soon as possible.

Consultation With All Parties

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We see that the international conference must lead to a comprehensive settlement of the Arab-Israeli dispute on all its aspects, including guaranteeing the return of all occupied Arab lands and the restoration of all national rights of the Palestinian people, and the achievement of coexistence for all the peoples and nations of the region in the context of security and peace based upon justice.

Hence, the international conference must aim for the implementation of the resolutions of the United Nations concerning the problems of the Middle East and the Palestinian issue within the framework of international legality and rules of international law; obviously, the most important among these are the two Security Council resolutions, 242 and 338.

With regard to the procedures for convening the international conference, we believe that the secretary general of the United Nations plays a vital role in calling the conference to implement the resolutions of the Security Council within the context of the special responsibilities accorded to the secretary and to the Security Council for preserving peace and international security as stipulated by the United Nations Charter.

We also see that basically, all the parties directly involved in the problem must participate in the conference on an equal footing in addition to the five permanent member nations of the United Nations Security Council. I stress in this regard Egypt's insistence on the necessity of Palestinian representation in the conference. We believe that this is also a major issue and the conference cannot be held in the absence of the primary legal claimants. The Palestinian people, under the leadership of the Palestine Liberation Organization, are the primary party and only they have the right to choose their representatives. I wish to make it clear that preparations and organization for the conference still require time, effort, and consultation so that we can reach an acceptable level of understanding about the conference with all the parties. It is important to work as Arabs on unifying our positions and crystallizing them in a form consistent with our goals.

Egyptian-Jordanian Coordination

[Question] Is there agreement between Egypt and Jordan regarding the international conference, in light of the continuing contacts and coordination on all levels between the two countries?

[Answer] Obviously there is agreement between Egypt and Jordan as a result of the continuing consultation and coordination on all matters related to the international conference. I may say that our vision is the same and our efforts are united in the interest of working to convene the conference and preparing all the conditions and subjective elements which would ensure its success and strengthen the Arab and Palestinian position. There is no doubt that the Egyptian-Jordanian initiative is proceeding in an excellent manner and is considered a leading example of the type of joint Arab efforts that are needed in order to achieve high national goals. We are striving also to expand the opportunities for Jordanian-Palestinian coordination, and we consider that to be an important factor in our initiative to restore Palestinian rights.

The Palestinian Position

[Question] What is the Palestinian position regarding the conference: specifically, what is the official position of the Palestine Liberation Organization toward the conference, and what is the Palestinian view toward participation in the conference?

[Answer] Obviously, I cannot speak for the Palestine Liberation Organization, but I can say that based on what has been issued by the Organization, it supports the convening of the international conference as a means of settling the Palestinian question on the basis that it is a question of a people with national identity and rights, and not a question of refugees. Egypt endorses the Palestinian position.

With respect to the Palestinian view regarding participation in the conference, as I mentioned, this matter must be decided by the Palestinian themselves, and I believe that this issue is still under discussion. We hope that they will agree on a form acceptable to them within a reasonable time so that the opportunity which is now given to them to hold the international conference will not be lost.

Peres Represents the Government

[Question] There is a lack of clarity regarding the Israeli position on the conference! Even though Peres announced his approval in Alexandria, Shamir rejected the idea later. Is there a clearly defined view of the Israeli position regarding the international peace conference, and what is Egypt's opinion?

[Answer] Egypt's view is clear in that Peres, when he agreed to the international conference in Alexandria in September of last year, was representing the Israeli government, and not merely himself. This position was reiterated

during Peres' last visit to Cairo, in the official statement issued after the visit. This is not to deny that there are still disagreements between us and the Israelis pertaining to the conference.

The contradictory statements which came from Israeli officials should not worry us too much or make us abandon our aims. In my view, we as Arabs should unify our positions and continue our communications with all the concerned international nations in order to preserve the present momentum for convening the international conference, to demonstrate to the world our seriousness in working for peace, and to confront Israel with her responsibilities and require her to demonstrate the true nature of her position.

Change in the American Position

[Question] The Soviet Union and the European Community of Nations have a declared position in support of the international peace conference on the Middle East. What is the American position regarding the conference?

[Answer] In the beginning, the American position was opposed to the idea of holding an international conference. However, we have recently noticed a change in this position, and there is now an American readiness to discuss the idea of the international conference, and this we perceive to be the result of our continuing contacts with American officials. I believe that their public statements clarify their position. I may add that there are signs of progress and flexibility in the American position on the international conference. The matter still needs increased communication to arrive at an acceptable understanding about the nature of the conference and its tasks.

Arab Consensus

[Question] Mr Deputy, is there Arab acceptance of the international peace conference?

[Answer] There is no doubt that the Arab side had decided on the course of negotiations as a means of solving the problem of the Middle East when the Arab nations agreed upon the resolutions of the Fez Summit. Similarly, the principle of convening the international conference is one of the principles upon which there is Arab consensus. But what we as Arabs lack is a settlement of our other differences, which distract us from our goals, and we must try to establish a way to work jointly and harmoniously for the sake of convening the conference and securing our rights. This would strengthen the Arab position and enable us to face the other parties; we must not lose any more time.

13380/12947

CSO: 4504/229

CIRCASSIAN COMMUNITY DESCRIBED

Tel Aviv MA'ARIV in Hebrew 17 Apr 87 p 3

[Article by Shaffy Gabai: "The Circassians: Two Villages of a Closed, Loyal, and Brave Minority"]

[Text] In June 1958, Prime Minister and Defense Minister David Ben-Gurion sent a letter to the head of the small Circassian community of Israel, in which he said: "After thorough review, I have decided to follow your suggestion, in view of the courage that the members of your community have always shown, and the loyalty that you have always shown toward the state. Instructions in connection with your recommendation will be sent to the Ministry of Defense." The community leader had asked Ben-Gurion that all the Circassian young men should be conscripted for compulsory military service, in view of the fact that those of them who had volunteered to fight at the side of the IDF in the War of Independence had proven their loyalty and courage. Since then to this day, young Circassians have been proud to wear the IDF and Border Guards uniforms. Some of them have even reached high ranks in various branches of the army.

The Israeli Circassians are Sunni Muslims, whose ancestors immigrated from their largest concentration in the Caucasus mountains some 110 years ago and settled here in several locations with the help of the Turks; later they gathered within a closed and independent community with customs of its own in two villages in the north: Kafr Kamma in Lower Galilee and Kafr Rihaniya in Upper Galilee. As soldiers and officers they loyally served the sultans of the Turkish Empire, which included Eretz Yisra'el.

As long as the Caucasus remained under Turkish control, the Circassians remained masters of their land and gave their best sons to the Turks' military campaigns. However, when Russia conquered their homeland they were forced to disperse to various areas of the Turkish Empire, particularly to Middle Eastern countries. They settled not only in Eretz Yisra'el, but also across the Jordan river and in the Golan. At the time, Jordan's capital Amman was a Circassian city, but as the city grew and expanded, the Circassians became a minority. On the other hand, the large Jordanian city of Jarash is still a Circassian city. Al-Qunaytirah in the Golan Heights was also a Circassian town, and reverted to being Circassian after the Syrians rebuilt it in recent

times. Currently, Circassians serving in the Jordanian and Syrian armies are known as brave fighters, and some of them serve as senior staff officers.

The Circassians living in Israel are known as excellent farmers who prospered and won the friendship of the Jewish neighbors. They are reserved, shun the press limelight, and as a rule handle their problems by themselves, within their community. They faithfully observe the laws of the state in which they live and strive to contribute to strengthening it. That is their attitude in Israel, Jordan, and Syria. Their two villages are clean, beautiful, and developed in accordance with the spirit of the time. The Circassians are organized in disciplined and proud clans. In Israel there are only a few thousand of them, in Jordan and Syria there are tens of thousands.

12782

CSO:4423/28

REPORT CRITICIZES DECLINE IN SCIENTIFIC RESEARCH

Tel Aviv MA'ARIV in Hebrew 17 Apr 87 p 6

[Text] The president of the National Academy of Sciences, Professor Yehoshua Jurtner, warned this week in a report to Education Minister Yitzhaq Navon on the status of scientific research in Israel that "scientific research system in Israel is currently in the midst of a serious crisis which is already causing severe damage at the national level."

The report states that the contribution of universities to financing civilian research and development dropped from 38 percent in 1966-67 to 16 percent in 1982-1983. The share of the institutes of higher learning in the state budget has dropped steeply, from 7.9 percent in 1973 to 4.4 percent in 1985. State support for the institutes of higher learning was reduced, in real terms, by about 22 percent in the past 7 years.

The crisis is the consequence of the reduced resources that the state put at the disposal of the universities and the system of basic research in the past few years. "We are already witnessing a serious regression in science and technology, and we are losing young scientists and scholars. Consequently, Israel's capability to maintain a high intellectual, technological, and industrial level will suffer in the coming years," Jurtner explained.

Professor Jurtner stressed: "We are witnessing a distortion of research directions, loss of leadership in areas of special research, reluctance to develop new areas, and loss of scientific independence as a result of reliance on foreign resources."

The president of the Academy of Sciences said that a master program must be worked out for the development of basic research in Israel, with a view to stemming the deterioration.

The education minister presented to the government a draft resolution calling for an annual increase of \$17 million in the universities' budget for the next 4 years.

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CSO:4423/28

DAN SHOMRON'S RISE TO CHIEF OF STAFF DESCRIBED

Tel Aviv MA'ARIV in Hebrew (Weekend Supplement) 17 Apr 87 pp 6-8, 32

[Article by Yosef Walter: "Judaea and Samaria" [Shomron in Hebrew]]

[Text] There was tension in the dining hall of Kibbutz Ashdot Ya'agov (Ihud) in the days that preceded the government's decision on the appointment of Dan Shomron as the 13th IDF chief of staff. The kibbutz members ventured guesses and held their fingers crossed. When the decision did fall, the oldest members jokingly said they would never have dreamed that that imp would ever become a serious man, let alone chief of staff. They remembered Daniel, the boy who masterminded all the pranks, pinched eggs and chicken from the chicken coop, and once even the Tnuva truck.

Day after tomorrow, on the seventh evening of Pesah, he will take the place of General Moshe Levy, at almost 50 years of age, perhaps because of that prankishness which contained much childish naughtiness, but which also testified to a sense of natural leadership and inventiveness. The man who is entering the office of the chief of staff at what is perhaps the most difficult period for the IDF, will be required to find ways of dealing with Arab armies whose strength is being boosted by modern equipment and troops, despite the lower budget. The obvious solution: have more professional personnel make wise use of sophisticated weapons. Dan Shomron is known as one of the opponents of the Lavi project. With that money, he has repeatedly said, we can build the weapons that a smaller IDF needs to win the next war.

However, he is no less determined to invest in things that require thought and attention, and that do not cost a whole lot, such as promoting the human element, the troops and the lower ranking commanding officers; uprooting the negative norms that have permeated the IDF in recent years, and not necessarily because of Lebanon; restoring to the army its lost honor; and reinstalling the sense of supreme value of the military service. He is worried by the fact that good elements are leaving the army and not reenlisting. He believes that the erosion can be stopped, not necessarily through pecuniary benefits. Dan Shomron remembers times when that factor was not important, when the challenge was more precious than the money. Service in a high-technology army can be a challenge. People who know him and his persistence in working

hard until the mission is completed--in each one of his jobs, not only in reprisal actions and wars--can already begin writing the scenario of how he will achieve that objective.

Whoever said about him that he was a "soft kibbutz kid who got everything the easy way," was sinning against truth. His rise to the top of the pyramid has not been meteoric. He served a full term, if not longer, in each one of his jobs. He filled more general positions than any other general staff general of today. The army did not always smile upon him. Years ago he wanted the position of commander of the paratroopers brigade, but another major general was appointed. Later, when Motta Gur was chief of staff, after being informed that he was being appointed commanding officer of the Northern Command, at the last moment the position was given to Avigdor (Yanush) Ben-Gal.

The position of chief of staff was within his reach on the eve of Rafal's retirement. Shomron was then one of the prime candidates. Yanush, too, was in the running. The defense minister at the time, Moshe Arens, shuffled the cards and appointed a compromise candidate, Moshe Levy, against all expectations. Yanush went home. Shomron stayed. He had not fought for the position desperately. He decided to stay mainly because of his strong belief that his primary duty was to contribute to the IDF and to Israel's defense. And he has confidence in his capabilities. This confidence was not shaken even when Moshe Levy showed a pronounced lack of regard for him, to the point of ostentatious disdain and did everything in his power to ensure that Dan Shomron would not inherit his seat. Shomron did not react with declarations. To the right people he said that he was prepared to fill any major general positions, as long as he knew where he stood.

The few months that preceded Rabin's decision were dominated by much mud slinging and personal attacks. The slander campaign greatly pained Shomron. At times he seemed to stand alone in the semi-open contest. He hates that word, contest. He does not belong to anyone. He does not belong in cliques. He told his close associates that he never saw himself as competing for the chief of staff position. In point of fact, he never saw himself as a professional soldier for the long range. For years he used to renew his army contract 1 year at a time. More than once he made it clear that he was prepared to stay only if he was needed, but if not, the smallest hint would suffice for him to salute smartly and march out. "If they think that I am good and capable of making a contribution, let them appoint me, but I want to be spared all this business," he once said in a rare outburst of anger, when the side effects of the race for chief of staff had exceeded the limits of good taste.

The awareness that his place is in the army, among the best of the army, does not stem from a sense of superiority. He has thought positively from the first moment of self-awareness. Daniel and his brother Shaul were the sons of Tova and Eliahu Dzoretz (which in time became Shimron, which in his case was changed to Shomron, just as his first name was shortened to Dan). He was born in Ashdot Ya'agov in 1937. His parents had been among the founders of the kibbutz 2 years previously, after belonging to the nucleus of the Borohov neighborhood, which by now has been assimilated between Ramat Gan and Giv'atayim. As of the age of 9, his world was filled with adventure, a mixture

of imagination and reality, although reality had the upper hand. Dan and his friends engaged in stone-throwing battles with the children of the bedouin village of Dagura across the Hayarmuk river. Whenever the bedouins stole from the kibbutz, the children would retaliate by pinching their horses and donkeys.

Daniel stood out as the natural leader of the gang. He was the idea man and the one to mobilize "fighters." He was a strong child, a big eater, and blessed with a cool temper and planning ability. The battles with the bedouin children he led with deliberation and thought for the smallest detail, while careful to leave a margin of safety. How not to get caught and, most importantly, not to exaggerate. When the children mounted an attack, some of them manned the frontal assault, while another group circled around and attacked from the rear. School work was not his strongest point, as were the pranks that more than once made the adults' hearts miss a beat. Once he jumped into the Jordan River from the top of a 12 meter high pole, and mocked his cowardly friends. So they all hastened to climb the pole and jump in after him as though they were driven by the devil. He was a child who knew how to get what he wanted. The gang called him "mule" because of his stubbornness.

The children of Ashot Ya'agov also fought the British. When they came to search for weapons, equipped with mine detectors, Dan and his friends used to drive the men crazy by planting nails and bits of metal throughout the kibbutz, far away from the caches. The inspiration for that came from the presence of a PALMACH platoon in the kibbutz. The PALMACH men sometimes let the children fire their Sten guns. After one such target shooting session, Dan and his friends began to steal weapons and hold private shooting parties.

During the War of Independence the Syrians were in the neighborhood of the kibbutz. The members spent whole days and nights in ditches and posts. The children were evacuated to Kibbutz Yagur. Dan and his friends, who at the time were only about 11 years old, ran away and returned to Ashdot Ya'agov. "Danny grew up as a child of nature," said his father, Eliahu Shimron. "When he was in kindergarden, I worked as storeman, and as such I was in charge of the tools and the draft animals. Danny learned horseback riding. Once I put him up on one of the horses. He got it into a gallop and rode it all the way to the kindergarden. He loved the army at a very early age. After the War of Independence, when the kibbutz was being the target of heavy shelling, the IDF decided to stage a massive retaliation at the next shelling. They brought to the kibbutz heavy artillery pieces--guns and armored vehicles. Danny came to me and said: 'Father, that is the most beautiful music I have ever heard'."

Mother Tova remembers: "He was a beautiful child, very naughty, happy, and very popular with the girls. Once the children's instructors decided that whoever misbehaves will be sent away for 1 week. I was an instructor, too, at the time, and who was I forced to send away, if not my Danny. He took it hard, but the other children in the group took it even harder. The girls were at the head of the rebellion. They protested and requested that Danny be returned. The boy loved sports, and was a champion at high jumping. He also loved to dance. The only thing he did not like was school work, just like his friends. They thought that school work was a waste of time and one had to be working."

The war and the period that followed it made the children mature before their time. An immigrant transit camp was built on the ruins of the neighboring Arab town of Zamah. Someone was required to help with the absorption of hundreds of new immigrants. The young people of Ashdot Ya'agov were also among the helpers, or brought immigrant children back to the kibbutz with them, to the "Working Youth" club. During the day they went to the regional highschool at Bet Yerah. Only a few of them graduated. Dan and his friends dropped out after the 10th grade and went to work in the kibbutz. That was the time when the solidarity of the kibbutz members was broken. Ashdot Ya'agov split into two, as did other kibbutzim, in the political rift that broke up the united kibbutz movement at the beginning of the 1950's. Dan's family stayed with the MAPAI faction, the Ihud.

Dan had a highly developed technical sense. He loved to tinker with agricultural machinery. As it is, his love for anything on wheels knew no bounds. He was the champion car thief of the kibbutz. Once he made away with an Egged bus. That adventure came back to haunt him years later, when he was already a senior IDF officer. The driver of the bus in question was a discharged IDF officer who had married an Ashdot Ya'agov girl and lived in the kibbutz. One night, Dan took his pals on a night ride in his bus, which was returned toward morning safe and sound. The driver learned about the theft, but all his efforts to find out the culprit failed. The driver later returned to the IDF and proceeded to advance in rank. One day he received one of the men under his command, Lt Col Dan Shomron, for an interview. The discussion turned into personal reminiscences. In a lighthearted moment, Dan confessed that he had been the purloiner of the bus. The smile froze on the face of the high-ranking officer and was replaced by hostile anger. He threw Dan out of his room in a fury, and did not address one word to him for years after.

In November 1955 Dan went to the army and volunteered for the paratroopers--the natural spot for a young man who in his childhood had incited his friends to hurl stones at bedouin thieves and to jump into the Jordan River from 12 meter high poles. In the paratrooper unit he was willing to undertake any exhausting effort, just so that he would not have to put up with humiliations and harassment. That is how he came into conflict with his commanding officer already in boot camp. The commanding officer had stood before the platoon and yelled: "Shomroni, you idiot, take one step forward." Shomron did, but he also said: "I will step forward, but you will not call me an idiot." The commanding officer ordered him to take back his words. Shomron refused. The commanding officer told him to start running around the flagpole and to keep at it until he changed his mind. Shomron ran around the flagpole for a whole day, but he did not recant. The memory of that harassment is still with him. During his service he did not hesitate to remove commanding officers who harassed the troops.

He participated in the retaliations staged before the 6-Day War, and his activities in that war are summed up in the citation he received: "On 6 June 1967, Major Dan Shomron drove his jeep into a company position near al-Arish and drew the artillery fire upon himself. On June 8th, west of al-Arish, Maj Dan Shomron guided a [TOLER] jeep on open terrain in a flank attack on enemy tanks. His force destroyed six T-55 tanks. On June 9th he and his jeeps crossed the fire line of 160 mm machine guns and, together with other forces,

rushed an enemy position south of al-Qantara, where his men attacked from their jeeps."

During the war of attrition he was the planner of several daring actions. A comrade in arms remembers: "Dan was at the time head of the Operations Branch at the general staff. The IDF reacted to the attrition with special, quality actions: for example, an armored column crossed in the Red Sea area south of the Suez and surprised the enemy at an unexpected point; an Egyptian force was conquered and destroyed on the Shidwan Island; the lifting of the Soviet radar, and so forth. Dan made a decisive contribution through original ideas, selection of unusual targets, special intelligence work, and particularly by insisting on perfect coordination of the performance of air, naval, and ground forces. The combined actions required complex planning and risk taking. Actions behind the enemy lines required extensive coordination and concentration. Special standards were set in the course of those actions, which were implemented to a large extent thanks to Dan's planning.

"In this respect, the Entebbe operation did him a certain injustice, even though it was a crowning achievement in his career. Prior to that he had participated in many operations, some more complicated and more daring, in which his contribution remained anonymous. He is the type of success-oriented commander. He is consistent, deliberate, always bets on the sure win, and he plans every detail carefully, something that has permitted him to remain calm and confident during action. With him, each action, as well as exercises, ends in success and with the least possible injury. He has a style of low key leadership, not aggressive, but also uncompromising. Even when he is angry, he never insults. He belongs to the rare breed of commanders who do not feel the need to suppress or to humiliate others in order to advance. He is blessed with a stature, positive self-image, and high personal level that suffice to make him stand out independently."

Shomron does not automatically bend according to the wishes of his superiors. He is loyal, but not to the point of blind obedience. He will stand on his opinions before any forum. Also, he does not operate on the principle of favoritism. His comrades attest that he does not do things solely in order to please people higher up. Once, as a battalion commander, he decided that one of the men was not suited to that unit. Shomron decided to transfer him, mindless of the fact that the man was the son of a prominent personality. Yitzhaq Rabin, who was the chief of staff at the time, visited the battalion and heard about the case. "Perhaps you may still leave him here?" Rabin asked. Shomron did not back down: "I will leave him here only if you order me to." The soldier was removed.

In Shomron's eyes, rank was never a goal that one should pursue at any price. He has been known to forgo position and rank in favor of principle. In 1976 he was put in charge of an armored division. Some 8 months later he was offered the job of commanding officer of the Central Command. He turned it down. "This means a general rank, and you decline?" marveled many. "If I accept, I will not be able to look my men into the eye," Dan replied, and waited another 2 years until he felt ready to assume the rank and position of a general. He did get the Central Command, and continued from there up to deputy chief of staff.

The naughty, reckless, prankish child became shy and somewhat introverted in his adult years. His nature caused him not to have admirers at the general staff, at the most only supporters, because no one can find fault with his record. From that viewpoint he can expect far greater appreciation, beyond comparison with his predecessor. His friends claim that the fact that Dan Shomron is not the type for social events and parties has been a stumbling block for him and the reason that he has been unjustly labeled as one who does not stick by his friends.

One of his friends explains: "Only a few people know the real Dan Shomron. It is true that he will never initiate a party. He is also not one to call just to ask what is new. Friends have been known to get insulted and to say, Dan does not stay in touch. This does not show anything of significance. His shyness possibly stems from a lengthy period in which he was not capable of completing his formal education. There were times when he would not open his mouth at all at social events. However, since then he has completed his academic studies (BA in geography and Middle Eastern studies), and he began to find his place socially. Those who know him marvel at his analytical powers. He does not display any sense of superiority. He is modest. As a commanding officer, he is a model of high moral fiber. His introversion may also have been caused by the fact that after his divorce from his first wife, Miri, he lived by himself for years in rented apartments, so by necessity he could not host social gatherings."

He met his present wife, Dahlia Tefer, through a circle of friends. They decided to get married at the time of the resounding Entebbe success. The media chased him all over the place. He, as is his wont, eluded them. To this day he does not like to have his picture taken. At the time, too, he asked the photographers—who had gathered outside the house of the military rabbi of the Southern Command in Rehovot—to leave him alone. The wedding had been planned like a secret operation. Even the parents were not invited. The witnesses were one couple of friends for the bride, and one couple for the groom. But when he arrived at the rabbi's house, Shomron, who dwells on the most minute detail, found out that this time his careful planning had failed. When they were already under the canopy they discovered that they did not have enough people for a minyan, and so one of the friends was forced to go out and ask the photographers to join the ceremony—but without their cameras.

Dan is a devoted family man. He loves to be at home, watches television, and reads a lot, especially books of military history. He has not lost his childhood love for sports. Occasionally, Dan and a group of friends meet for a game of basketball in one of the kibbutzim in the Tel Aviv area. Dan fights for every ball with great passion. He is one of Maccabee Tel Aviv's fiercest admirers, and never misses a league or European cup game. In the field he behaves like any passionate supporter: jealous, quick to react, enthusiastic, and busy commenting, and disappointed and sad when Maccabee loses.

He is a warm and devoted father to his 16 year old daughter Anat from his first marriage. His parting from Miri was a friendly one. Even after the divorce they used to go together with Anat to various events, and to this day they maintain good relations. He is also close to Dahlia's 14 year old son, supervises his education, and takes an interest in all his activities. Outside the working hours he does not go out much. The Shomron couple are not keen on

entertainment. Dahlia devotes her time to painting, and Dan to his interests. Even to the movies they seldom go. They told close friends that once they went to a movie and were unable to stand the stares they attracted. The friends suggested that next time they should sit in the last row.

Dan and Dahlia Shomron live in a modest, simply furnished apartment in Ramat Aviv. Recently they were planning to move to a house in Herzlyya B. However, they abandoned the idea when he was appointed chief of staff. As of the next week Dan Shomron will be forced to spend many nights away from home.

[box on page 8]

The Grandson of A Hassid of the Rabbi of Gur

An air reminiscent of the old Eretz Yisra'el permeates the modest home of Dan Shomron's parents in Kibbutz Ashdot Ya'aqov Ihud: plain furniture, Berl Katzenelson's writings on the shelf, a DAVAR newspaper on the table.

Tova and Eliahu Shimron never stopped working since their arrival in Ashdot Ya'aqov in 1935. Eliahu was a storeman and carpenter, and for 12 years he was the secretary of the "Ohalo" seminar. At the age of 80 he still works in the carpentry shop. Tova, 72 ("I am not single, I have no reason to hide my age"), works as an inspector at the regional council. In the War of Independence her husband was the commanding officer of a post, and she was a deputy.

Their pioneering, secular home has religious roots. Dan Shomron's grandfather on his mother's side, the Hassid Reb Avraham Rost, was a "Torah reader" at the court of the rabbi of Gur and one of the people who sat at the rabbi's table on holidays and special events. It is said that he possessed an astounding memory. On the Sabbath and on holidays he would listen to the rabbi and would write down his words the next day without missing a word, and would then circulate them among the hassidim. Dan's grandmother was the niece of the head of the Hadmor dynasty of Radomsk, Rabbi Shlomo Hacohen Rabinowitz, the author of "Shlomo's Splendor."

The Hassid and his wife immigrated more than 60 years ago, with the rabbi's blessing, and settled in Jerusalem. Their daughter Tova, the mother of the chief of staff, renounced religion in her youth and left her father's home to establish the Geshet-Naharayim group in Emeq Hayarden. She then moved on to the "Havharot" group in the Borocho neighborhood, which founded Ashdot Ya'aqov. There she met Eliahu, who had immigrated from Russia at the age of 14 following the pogroms in his town, in which 137 Jews had been killed after failing to get together the ransom money exacted from them. Eliahu and his mother had hidden; his father had died some years previously. His grandmother and uncle were killed in the pogrom, and they reached Eretz Yisra'el with great difficulty.

Since their son was appointed chief of staff the media has not given them a minute peace, much to their disconcert. Exposure and publicity had never been a staple with the pioneers of Ashdot Ya'aqov.

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CS0:4423/28

EFFECT OF EEC EXPANSION ON TRADE REVIEWED

Prospects for Entry Into EEC Discussed

Paris JEUNE AFRIQUE ECONOMIE in French Apr 87 pp 71-73

[Article by Marie-Laure Colson: "At Europe's Gate"]

[Text] Mohamed Seqat's team will be very busy in the weeks ahead. Of the three dossiers lying on the desk of the secretary of state for foreign affairs and cooperation in charge of relations with the EEC, one might be successful. After 4 months of beating around the bush, the EEC countries have in fact agreed on the amount of financial aid to be granted to the eight southern Mediterranean countries: 1.6 billion ECU [European currency units] (1 ECU= 6.99 French francs) for the next 5 years. Morocco is one of the "privileged nations," with 324 million ECU. It is a first step, the sign Seqat was waiting for (see interview) to get action moving again on the two other dossiers affecting relations between the EEC and Morocco: adaptation of the commercial agreement linking Morocco with the Community to be reviewed because of the entry of Spain and Portugal; and the "communitization" of the fishing agreement between Spain and Morocco which expires on 31 July.

Having said that much, one must take a look at the EEC's gesture in relative terms. Compared with the previous protocol covering the 1981-1986 period, this one goes up only 62.8 percent, very little when one considers that inflation in the EEC nations--one of the criteria for setting the amount--has gone up an average of 10 percent a year for 5 years and above all, the fact that the Ten are now Twelve. Furthermore, what is 1.6 billion ECU for eight countries? The sum allocated to Morocco by the EEC during the previous protocol represents 1 percent of its total investments!

However, with respect to matters of form, Rabat had given as a condition for the resumption of negotiations on the fishing agreement and the commercial aspect of its accord with the EEC the resolution of the financial protocol.

The substance of the question pitting Morocco against the EEC is always the same: the opening up of European markets to its products. In pushing its borders as far as the Mediterranean shores, the EEC has considerably improved its own supply of some of the agricultural products traditionally imported from the Mediterranean countries and Morocco in particular.

The repercussions of the membership of Portugal and especially Spain, a producer of citrus fruits and tomatoes like Morocco, will undoubtedly hurt an already vulnerable economy. Commercial trade with the EEC, its main trading partner, is in fact marked by a chronic deficit, which has doubled in 10 years to over 4 billion dirhams. Today, 40 percent of Morocco's exports to the EEC are threatened, Francois Drevet says in his book ("Mediterranee: nouvelle frontiere pour l'Europe des Douze?" [The Mediterranean: A New Border for the Europe of the Twelve?], Paris, Ed. Karthala, 1986).

To grasp the gravity of the situation, one must realize that citrus exports, for example, represent over 26 percent of the value of Moroccan food and agricultural exports, that they are the country's third-ranking source of foreign exchange and that they provide work for 280,000 farm workers, in addition to a packing, processing (fruit juices) and transport industry.

Morocco's dependency on Europe (especially France) has since 1969 provided it with a preferential system for some export products. At that time, Europe, anxious to maintain relations with countries on the Mediterranean periphery, signed a whole series of bilateral agreements with them. But it was in 1976 that the cooperation agreement was ratified that is the existing legal framework for trade between Morocco and the EEC. That accord has three aspects: financial, commercial and labor.

Every time the EEC is expanded, the agreements with the Mediterranean countries have had to be renegotiated: mere technical adaptations in the case of Great Britain and even Greece, but a much more complex matter with the joining of competitors such as Spain and Portugal. The other Mediterranean countries have for the most part chosen to ratify the adaptation proposed to them by the EEC, which, they believe, offers them additional advantages. But Morocco, which enjoyed conditions generally more favorable than those of the other countries, deems that the EEC's proposals are not adequate. A first round of negotiations ended in failure in December 1985. In February 1986, after consulting the member countries, the EEC began a second series of negotiations. For its part, Morocco prepared a white book containing counterproposals. The EEC then agreed to take a few steps toward the Moroccan position, but, according to Rabat, still too few. For about a year, each side has stood firm. Seqat, who took office about 6 months ago, decided that official negotiations should follow the bilateral path and toured the European capitals in order to try to convince his European colleagues of the specificity of the Moroccan case.

The mechanism proposed to Morocco by the EEC actually challenges the advantages the country had enjoyed compared with the other Mediterranean countries and especially Spain, which will be a full member of the Community after 1990.

The mechanism has two points: the dismantling of tariffs, consisting of reducing customs duties still paid by Morocco on import quotas allotted to it and modulation of the entry price, which is the minimum price set under which a product from a third country cannot enter the Community. If that price is not respected, the product is hit with a so-called compensatory tax, which is the difference between the entry price and the price charged. The Community

proposes a change in the system, but would make it subject to one condition: that the products concerned belong to the traditional flow of Morocco-European trade. In other words, oranges, clementines and tomatoes. Morocco rejects these proposals, pointing out that the tariff change, for example, will mainly help countries such as Israel, Cyprus or Algeria, which had higher duties and which would therefore be as privileged as Morocco from now on. Furthermore, the compensatory taxes will be levied almost systematically on all shipments, with quotas having been calculated on the basis of production from 1980 to 1984, 4 years of drought that do not reflect Morocco's export potential. Finally, by trying to give priority to the so-called traditional trade, the EEC ignores Morocco's diversification efforts and endangers a major investment program in greenhouses set up since 1979-1980 to adapt Moroccan production precise to the Community calendar!

In March 1986, the EEC agreed to take certain new products into account. But the quotas proposed to Morocco are so low that these products have no chance of replacing traditional products one day.

For example, exporting 15,000 tons of flowers would enable Morocco to replace, in value, the exportation of 250,000 to 350,000 tons of traditional products (tomatoes, citrus fruits and so on). But the EEC proposes a quota of 300 tons. "An amount that Morocco could export in 2 weeks," Rabat replies. Morocco's current capacity (exportable to the EEC, like most agricultural products, within a short amount of time) is 1,000 tons a year. If the EEC does not want to satisfy Morocco, one expert from the Seqat team points out, not without malice, it should at least be sensitive to the fact that in Morocco, three-fourths of all flower producers and exporters are French!

Finally, and this is a point of concern to Seqat, the EEC proposals will be valid only for the transitory period during which the two new countries gradually become members of the EEC, meaning until 1986. "After that time, it is a total vacuum," the secretary of state worries, "and this is all the more abnormal because the 1976 agreement was concluded for an indefinite period of time." Morocco has one more trump card: the fishing agreement. The agreement, which has bound Spain and Morocco since 1983, will expire at the end of July. With Spain in the EEC, renewal of the existing accord therefore becomes the competency of the EEC. Morocco could decide to block negotiations on the fishing agreement until the Community improves its proposals, but it is a bargaining point which for the time being the Seqat team refuses to exploit.

Interview With Mohamed Seqat

Paris JEUNE AFRIQUE ECONOMIE in French Apr 87 p 73

[Interview with Mohamed Seqat, minister of state for European Economic Community (EEC), by Marie-Laure Colson; date and place not given]

[Text] [Question] We are already in 1987. Are Moroccans not anxious to see a conclusion of the discussions with the EEC?

[Answer] For producers, there will be no problem until 1990. We can at any rate anticipate retaliatory measures if our exports should be affected without the EEC providing any correction. We must not forget that the EEC is our main trading partner, but we hope not to have to resort to such methods. The members of the Community are also our friends.

[Question] What could unblock negotiations?

[Answer] One cannot speak of any blockage. There has been an evolution because there have been two mandates, but the Twelve have had a terrible time coming to an agreement on the terms of the mandates and are now reluctant to open up the dossier again. In order to resume negotiations, on the commercial and fishing agreements, we are waiting for a sign to come on the financial protocol. The way in which the Europeans treat this third generation of protocols is puzzling.

[Question] How do you interpret that wait-and-see attitude?

[Answer] It is up to all Mediterranean third countries to draw their own conclusions! This is the whole problem of the EEC's relations with developing countries, of North-South relations in general. It is disturbing, to say the least, to see the difficulties which the Twelve have in agreeing on sums that do not exceed a few hundred million ECU, while they joyfully decide to allocate 3 billion ECU to marketing their butter stocks.

[Question] Does Morocco not feel isolated compared with the other Mediterranean countries?

[Answer] I do not think it feels isolated. If those countries have decided to initial the adaptation agreement, they must have their reasons. If I had been in their place, I would have probably done the same thing. None of those countries is affected by the expansion as Morocco is. Having said that much, one could have wished they would manifest some solidarity. But Morocco is big enough to defend itself alone. Moreover, we have much deeper and much closer relations with the EEC than does any of those countries. In a sense, it is somewhat normal that we should pose more problems than others.

[Question] Is Morocco still determined to belong to the EEC?

[Answer] At any rate, that is the wish expressed by King Hassan II. But do the conditions for membership exist? I would rather interpret that wish as a challenge to Europe and a demonstration of Morocco's will to be attached to that geopolitical space.

[Question] Has Morocco not tried to find markets outside of Europe?

[Answer] We have. But the American market is difficult for Moroccan agricultural products. It could have been a profitable market when the dollar was at 11 dirhams. On the other hand, Canada is an interesting market to which we export from 40,000 to 50,000 tons of citrus fruit a year. There is also the Soviet market.

[Question] Would you favor bartering?

[Answer] Yes, that would interest us. The USSR can build facilities in our country, for example. Bartering has nothing wrong with it and many countries resort to it.

[Question] To get back to the EEC, are you optimistic?

[Answer] I am pessimistic because I am sure that Morocco will not obtain satisfaction of all its demands. But I am optimistic because I know that Europe has not lost all its political sense. Beyond the commercial quotas and the protectionist temptations, there is political realism and we feel in all our European interlocutors an awareness of Morocco's importance on the Mediterranean scene. They will not permit choices to be made that would run counter to the vital interests of Morocco because they know we hold important political cards, that we play a moderating role in the Euro-Arab dialogue, for example. The European Council must therefore be aware that there must be some coordination between the main lines of its commercial policy and those of its policy with a capital "P."

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CSO: 4519/109

CONSTITUTIONAL UNION PARTY PRESIDENT MAATI BOUABID INTERVIEWED

Casablanca LE MESSAGE DE LA NATION in French 22 Apr 87 pp 13-17

[Interview with Maati Bouabid, president of the Constitutional Union Party (UC), by Nadia Bradley; date and place not given]

[Text] Maati Bouabid, president of the Constitutional Union Party (UC), is without question open, a veteran of the country's political scene, modest and approachable. However, to claim that making him talk is an easy matter would simply be a gross exaggeration.

The debonair appearance conceals a very reserved individual whose complicated thought processes it is sometimes difficult to comprehend. It is not just a matter of discretion, but of distrust as well.

The president of the UC, having passed the age of 50, can no longer be fooled. A philosophy, mature reflection, optimism and a great deal of realism: These are the traits that show through his remarks.

Embarked upon an adventure situated somewhere between necessity and a challenge, Bouabid takes his task to heart: the task of building the party of the future for today's young people. For that purpose, he has surrounded himself with a dynamic team that is surprising by virtue of its intellectual quality and faith in a liberal future for the country. A choice of society and a way of life: The formula seems well-concocted.

Reserved for the party and the man who heads it, this interview proposes, on the occasion of the fourth anniversary of the creation of the UC, to reveal another aspect of the public man to the public: what is inside him.

[Question] Called the "pressure cooker" party, the UC is holding firm in spite of dire predictions of gloomy days ahead. How do you view your party's experience over these years?

[Answer] You know, the expression greatly amused me at the time. After all, the pressure cooker is a modern gadget adapted to the pace of the 20th century. Naturally, you have along with it all your old iron pots in which the soup does not always turn out right! Then you have the crockery bowls, but they are fragile. So why not a pressure cooker? The new is always attractive and shocking.

You know, the UC was a long time in planning before it was actually set up. In my opinion, the need to create a liberal party of young people and for young people had long existed. Just like Christopher Colombus' egg--to stay within the realm of cooking, which seems to be the origin of the expression--one had but to think of it! And if we are holding firm, it is because the pressure cookers are very strong, in spite of everything. That is one of their qualities.

As for my evaluation of the party's experience, as you say, 4 years is both a long time and not long enough. That being the case, after drafting a program that I think is quite clear and that defines the party's orientations and guidelines, we then set out to organize the internal structure of the UC and to consolidate it. If poorly articulated, any party becomes unable to organize the social strata it wants to reach.

We have held two congresses: the constituent congress and the first national congress, in the course of which democratic internal elections enabled us to elect the first executive committee from which the existing political bureau emerged.

We created an organization of women, leaders, young people and local elected officials. National secretariats closely follow the work of the UC's parliamentary group. We have ensured that the voting discipline of the group has been respected.

We expanded the party base through the UC organs and communes. We set up a press group with an independent infrastructure. Above all, we have tried to disseminate as much as possible the ideas to which we are attached, encouraging our intellectuals to continue with their theoretical work.

We are far from reaching our ambitions. The pressure cooker simmers. It does not get cold and does not explode.

[Question] No one argues about the place for a liberal party on the political scene, but do you believe that you alone can fulfill that function?

[Answer] Why should we? I do not claim to have a monopoly over liberalism. And if there is one idea about which I am truly reticent, it is definitely that of political hegemonism. In a country claiming to be democratic, there is room for everyone. And in the sun.

Those who claim to manage the future of the country by themselves are, in my opinion, somewhat pretentious and would not have the means to do so anyway. We have living examples of this, which is also why our party came into being.

[Question] Observers say that other parties of the same fabric have tried and failed.

[Answer] I do not know to which ones you are referring.

[Question] Why and how do you think you will have the chance to succeed?

[Answer] You just said yourself that there is definitely a place for a liberal political party. The objective need is there. As for our chances of success, well, we are trying, through militant, hard work, to have such chances on our side. It depends only on us.

[Question] What do you think of the emergence of regional associations that are increasing in number at a frantic rate? Will they support the parties and if so, why are they not directly affiliated with them or would they duplicate or even thwart their action?

[Answer] I admit that the spirit of those regional associations somewhat escapes me. Nor am I alone. For the time being and as long as they remain in a totally independent structure, I do not see how their existence could aid the Moroccan political parties and there is no kind of coordination between them.

This being the case, in my opinion, such associations cannot duplicate or thwart the action of the parties. I do not believe it is their vocation or even that they have the possibility of doing so. There are many questions concerning them.

Are they public associations? Are they private? One therefore has the problem of their identity and their function. Do they provide an alternative to the action of the communes or complement them and if so, what is the link between the associations and the communes? Are they truly regional associations? How is one then to explain why some of them have affiliates in other regions, as some do?

To whom are these associations responsible? What organ at what level can, if not direct, then at least control their action?

And, finally, what is their legal status? Are they cultural, social or economic or all three? And what is their purpose? How will they achieve it? In this case, what are their connections with the ministries involved? Why are they constantly in the news? One cannot understand why they have sometimes been given a protocol rank which other associations governed by the same rules do not have. These are all questions we have the right to ask and for which an answer should be given, for the sake of the very future of these associations.

[Question] Did your political past as a leader of the UNFP [National Union of Popular Forces] prepare you to assume your tasks as head of the leading liberal party of Morocco? What was your intellectual trajectory that led you to such a conversion?

[Answer] You know that the past shapes the present and sheds light on the future. Any political post prepares one for other functions of the same type.

Although I do not like to overwork quotations, Sartre wrote once that "one changes...but through a permanent identity." The man has therefore perhaps not changed much. It is our way of learning of the world, the countries that have changed.

At the beginning of independence, nearly everyone, parties and government as well, harbored a tendency toward excessive control stemming from the desire to control and lead that which for one period of time in history was taken from you.

As one gains confidence in oneself, one moves away from that temptation. At the dawn of independences, this was a general phenomenon in the Third World. That psychological mechanism came with others: the temptation of the socialist ideal experienced by young citizens as well as certain young nations at the time and that did not turn out to be conclusive. Although having had a liberal vocation with respect to economic administration from the start, Morocco often acted like a socialist state with respect to government interventionism. There was a need to correct our aim. That is what determined the evolution rather than a "conversion," as you call it, accompanied by a concern found in any man of freedom over totalitarian temptations.

[Question] What are your connections with the other Moroccan political parties, whether they be of the majority or the opposition?

[Answer] The UC supports a policy of continuing relations with all Moroccan political parties without exception, naturally with respect for the democratic rules of play. We are all competing in the electoral field. Cultivating an open mind helps the game to be free of aggressiveness, violence and mediocrity. Those are the rules of conduct that we impose on ourselves and that we impose on our members and our press.

[Question] Does the UC have a transnational program defining its relations with other parties in the Maghreb, Africa, the Arab world, the West or the socialist camp?

[Answer] It is vital for any party seeking to increase its influence to go beyond the frontiers of its national political horizon and, at the outset, to maintain contact and exchanges with other parties in the world. It is also normal--and this is one criticism that they cannot make of it--to have closer relations with parties similar to our own, meaning liberal parties, also normal following the increase in contacts with certain Western parties such as the UDF, the RPR, the German PDC, the Spanish Centrist Party and those of Portugal. We are on the brink of integrating liberal internationalism.

[Question] What are the essential concerns of a majority party leader?

[Answer] The action of the government in which his party participates and that of the parliament in which it sits. Those two concerns are largely sufficient to make a majority party leader a busy and concerned man.

[Question] Do you believe in a liberal solution to resolve the problems of our society? To what social class do you address yourself?

[Answer] If I did not believe in a liberal solution, the UC would have no reason for being. Conviction is a factor of success. For the second part of your question, any party claims to address the entire nation. Does that

mean that it succeeds in responding to the aspirations of everyone? It would be very pretentious to claim so. And yet, it is clear through our program that we have essentially sought to motivate young men and women, for they comprise the capital of our future and their political awareness will to a great extent ensure the durability of our institutions and the values to which we are attached. The disappointment of young people, their exclusion by a government that does not do enough for them and their frustration with the stereotyped cliches proposed by certain opposition parties have without question brought about a certain rejection of politics and sometimes even the public good. Through our action, we are trying to regain their confidence.

[Question] What are your relations with the Moroccan left?

[Answer] Are you speaking about personal or political relations? On the personal level, I have only friends. Regarding the UC, our party has no prejudice or animosity. Within a democratic framework, everyone has the right to defend his point of view and no one, as I have said, has a monopoly over the truth. Leftist movements are like the others in being a fundamental fact of our national life.

[Question] Lawyer, attorney general, leader of barristers before the court, president of the council, party leader: Of all these posts you have held, which is the one that suits you the best?

[Answer] One has varying degrees of pleasure in occupying certain posts in life. There has been a certain continuity in my lifetime that has enabled me to go from one to another without difficulty.

Behind the lawyer was the activist, the politician, and the transition therefore came about easily. It was the mission of the lawyer to defend justice and freedom. And that of the politician. In all sincerity, I could not tell you which of all the posts I have occupied suits me the best. Each of them has its charm and limitations and let us say, to sum it up, that they all correspond to a precise phase and complement one another. Presidency of the Council is a heavy responsibility and demands a great deal of vigilance, flexibility and political sharpness, as does the presidency of a party. In both cases, it is essential not to lose sight of what is real: Strategic orientations, the major options, must be translated into practice. Performing such tasks cannot be without passion.

[Question] Since there is no law providing subsidies for parties participating in elections, how does the UC manage financially?

[Answer] Like all the rest. That problem faces all Moroccan parties, whether in the majority or the opposition. I believe that we all essentially rely on dues from our members and sympathizers. At the end of 1986, King Hassan II, of whose concern for the revival of partisan and union political life in Morocco we are all aware, decided to allocate the sum of 2 billion centimes through the Ministry of Finance for all political and trade union groups and their press. That royal measure, coming at the right time, was welcomed by all with relief. We now await only the execution of the royal instructions.

[Question] What are your ambitions for the party and what function do you think it must fulfill within our society?

[Answer] Organizing the young, men and women. Preparing for the future, reviving partisan work. Creating a dynamic between society and the government. That is what I believe.

[Question] Do you think that in the last 4 years, the UC has been able, by virtue of its work in the field of theory and based on actual events, to draft a clear program unambiguously defining a choice of society?

[Answer] Naturally. The choice of society is clear. Based on the main orientations of the country, it must first of all be liberal and democratic. The UC tries to conceptualize a liberalism based on objective factors and the problems of Moroccan society so that no social class will in the future suffer from an exaggerated expansion of the private sector. At the same time, it will try to do away with the harmful secondary effects of exacerbated interventionism. We must find the proper measure and the right tone is a matter of practice. Only decisive influence in government economic management will allow the UC to exert influence on the public sector-private sector relationship. It is an experiment to be tried and a role to play. Why not?

[Question] Rumors have it that you will soon hold a congress. What do you expect to get out of it? What new elements can you report?

[Answer] That is no rumor. In accordance with our bylaws, we must hold a congress every 3 years. The next one will therefore take place in October 1987. As you can see, we abide by our calendar. We respect the dates set to hold meetings of party organs. That is one of the *sine qua non* conditions for the success of any political group.

A congress is always an opportunity to look at the record and define future phases. It is the precise time when the immediate past paves the way for the near future. That is what I expect to get out of it.

As for what new elements may come out of it, that does not depend on my will alone, but on all the work of the congress. The conclusions are unpredictable because they will be a synthesis of the will of all UC members.

[Question] From the very beginning, the UC has expressed its determination to be a party of the young and for the young. Therefore, how is it that after 4 years of existence, you still have no independent youth organization?

[Answer] For the time being, we see no need to create an independent mass organization of the young since we are trying to bring young people into the very body of the party to the maximum extent and into all of its organs.

The problem will surely come up later when we have further expanded our base. It will then be necessary to think about a constitutional youth organization. We must know how to wait and not get ahead of ourselves. In the meantime,

we are increasing the number of youth meetings on a provincial and national level. Moreover, a constitutional youth meeting is scheduled for 1987.

The mechanisms that ensure the success of a party are specious. Ambitions must be adjusted to the means one has.

[Question] The UC occupies five ministries. What are the party's mechanisms for participation in the activities of those ministries and the activities of the government as a whole?

[Answer] We are represented in government by only five ministers. Those ministers participate in government action on the basis of a plan which the party debates and concerning which it expresses approval and reservations. The level of commitment is therefore set, defined at the outset.

Naturally, in practice we are sometimes faced with new governmental guidelines that the party must evaluate on the spot. Party organs are there to debate them. This does not mean, however, that the portfolios entrusted to the Constitutional Union ministers are handled by the party; far from it. After approving the government program, if such is the case, the party supports the government action as long as it is not in flagrant contradiction with its own orientations. That is a subtle relationship, which is why it would be desirable for the prime ministers to have a continuing dialogue with majority parties at the highest level. This to guarantee the cohesiveness of the activities of all of government and guarantee the support of the parties on objective foundations.

[Question] Mr Bouabid, you have served His Majesty for a long time....

[Answer] I still do.

[Question] What has that experience given you?

[Answer] You know, when one is near a personage such as the King for many years, one realizes that few chiefs of state have that stature. To link events to one another, to place them within an overall context, decipher their implications and react in a timely manner are the qualities that surprise one the most. They are the qualities of a great strategist.

King Hassan II's art of governing is truly a school from which one can learn invaluable lessons.

[Question] One last question: Are you a happy politician?

[Answer] A politician lives between the frustration of not being able to do better and the desire to do more.

After my long experience, happiness in politics is found between the two.

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CSO: 4519/112

PROGRESS IN DEVELOPMENT OF WAR COLLEGE REVIEWED, LAUDED

Riyadh AL-RIYAD in Arabic 19 Apr 87 p 4

[Article by Hamad al-'Askar: "King 'Abd-al-'Aziz War College: The First Military Academic Institution in Our Country"]

[Text] The modernization of our armed forces, with all the new military technical combat achievements that have been made in recent years, has not occurred in isolation from the substantial modernization of the people who deal with this technology. Building the men in our armed forces, in all the programs of the military sectors of different kinds in our country, has been and still is the other important side or consideration in the process of modernizing and developing these sectors.

At the King 'Abd-al-'Aziz War College, the approaches toward building the student militarily and culturally from his first step in this venerable college are in close conjunction with him and adhere to him throughout his service under this nation's flag following his graduation.

The military accreditation of the student during his study takes place in accordance with the most modern military programs and theories which enable him to keep abreast of the constant modernization of the armed forces' resources and notions. Assisting the college in this are the resources available to it at its headquarters in al-'Ayyinah. These resources are not restricted to considerations of military accreditation -- indeed, the educational, social and other athletic facilities it contains are of no less importance than the college's resources that are concerned with features of military accreditation. This balance in building the student is a positive attribute which makes the student following his graduation at this college exercise his role in building this nation with total balance and perform his social and human roles in his society as he performs his role on this nation's various outlets and fronts.

The following report is carrying out a study of the form of this college's present and past and the stages it has passed through.

King 'Abd-al-'Aziz War College in its long life has passed through stages of development since its nucleus (the army military school) was established in

1936 in Mecca. After that it was moved to al-Ta'if in 1954. A royal decree numbered 5-22-362 was then issued on 8 November 1954 establishing a military college by the name of the King 'Abd-al-'Aziz War College and it was opened in the city of Riyadh in February 1956. King 'Abd-al-'Aziz War College is considered the first military academic institution in the Kingdom of Saudi Arabia. Its objectives include the development of human personnel through the establishment of its giant edifice which contains internationally advanced educational fortresses in terms of installations and facilities.

The edifice of King 'Abd-al-'Aziz War College is considered a miniature military city containing 11,000 persons.

The college was moved from its old building on Airport Street in the city of Riyadh to the new location in the town of al-'Ayyinah on 28 September 1983.

One of the lofty edifices in our armed forces graduates from this giant college, where the visitor, more than the citizen, witnesses the tremendous resources which exist in this miniature military city. Through the resources this academy provides, which you can rarely find in other military colleges, it has been considered a military college with an international standing.

In the new building of the King 'Abd-al-'Aziz War College the 11th course of university officers and the 42nd course of college students graduated under the supervision of the servant of the two holy shrines, King Fahd Ibn 'Abd-al-'Aziz, the supreme commander of the armed forces, on Tuesday 15 April 1984.

The college has assumed the burden of teaching and training students who have obtained a secondary stage certificate, preparing them and graduating them as officers in the ground forces. The college is also in charge of providing the university officers with military accreditation. The period of study in this college is 3 years, as in other similar military colleges.

Graduation of the 32nd Class

Today, Sunday 19 April 1987, His Royal Highness Prince Sultan Ibn 'Abd-al-'Aziz, the second deputy prime minister, minister of defense and aviation and inspector general, will observe King 'Abd-al-'Aziz War College's celebration of the graduation of the 32nd class of its students receiving the rank of lieutenant after spending 3 years in the college where they have been trained and educated to be at the service of their religion, their king and their nation.

The Site of King 'Abd-al-'Aziz War College

The college lies 62 kilometers north of the city of Riyadh on a space of 278 square kilometers. The college building consists of five floors. The first and second floors consist of parking spaces with a capacity of 750 vehicles. The third and fourth floors are a library. The site of the command building is on the fifth floor. There also are eight mosques in the college, including the general mosque, which can accommodate 2,000 people at prayer. With respect to the instructional wing, that consists of 65 integrated

classrooms, six lecture halls, 29 various laboratories for languages, chemistry and physics, a library which can accommodate half a million books and a hall for cultural activity which can accommodate 1,000 persons. There also is a military museum in the college which contains the military heritage of his late majesty King 'Abd-al-'Aziz, may God look after him.

With respect to the firing ranges, there are 10 firing ranges for various weapons in the college and there also is a simulated village for training students in combat in built-up areas.

In the college there are three buildings for students, five soccer fields, six handball and squash courts, six tennis courts, 20 racquetball courts, six basketball courts and six volleyball courts, as well as a covered olympic pool for use in summer and winter. There also is a sports arena which can accommodate 15,000 spectators. There also are fields for training in horsemanship.

The college building also includes buildings to house families, since there are 1,356 residential villas to house accredited people connected to the college and there are four schools for boys and girls from kindergarten to secondary school. There also is housing for single officers and civilians at a corresponding level and housing for noncommissioned officers and soldiers and civilians at a corresponding level. There also is a central cooling plant, a slaughterhouse, a water purification plant, a firefighting center to combat fires, a vehicle maintenance shop, a gas station and an internal television transmission station for broadcasting educational films to students and there also are barber shops.

The college, housing and other service buildings have been apportioned through organized coordination, the streets have been paved, trees and date palms have been planted and children's playgrounds and other parks have been distributed. These have imparted beauty and a harmonious distinctiveness to the building of King 'Abd-al-'Aziz War College, which is truly to be considered a miniature military city.

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CSO: 4404/338

CHAMBER OF COMMERCE OUTLINES INVESTMENT OPPORTUNITIES

Riyadh AL-RIYAD in Arabic 15 Apr 87 p 10

[Article by Sulayman al-Nasir: "Jiddah Chamber of Commerce and Industry Issues a Study on Investment Opportunities Available As Part Of the Kingdom's Fourth Development Plan"]

[Text] Investment opportunities available as part of the fourth 5-year plan were summarized in a study presented by the Jiddah Chamber of Commerce and Industry at the Third Conference of Saudi Businessmen, which met in Abha.

This occasion, which brought together 700 Saudi businessmen and more than 30 government officials, candidly reviewed what Saudi businessmen and government sectors must do to stimulate the private sector into seriously contributing to the national economy. At this conference, businessmen belonging to 18 chambers of commerce came together in one place for 4 days of morning-to-evening meetings, discussions and lateral meetings which came up with new ideas for commercial projects and examined private sector concerns and opportunities. The most significant result of these sessions was the Jiddah Chamber of Commerce and Industry's study of investment opportunities during the fourth 5-year plan, which was presented by Dr 'Abdallah Wahlan with commentary by the Planning Ministry.

AL-RIYAD is publishing this excellent study on investment opportunities available during the fourth plan in order to promote the Abha conference's goal: to stimulate private sector participation in the national economy through investment guidelines based on the nature of the national economy, and thus provide a stable standard of living for the majority of the population, offer free health, education and social welfare services which will in effect raise the individual's actual income by about 30 percent, and raise the individual's buying power. In 1984-85, the value of imports rose to about 86 billion Saudi riyals. Although that figure was less than what it had been in previous years, demand is expected to grow because of increased construction and development activity and the anticipated 3 percent population increase among Saudis. With the current integration of the investment infrastructure, a large portion of oil revenues have been shifted to production capital. During the third plan, the state spent 2 trillion riyals, an expenditure essential to the the construction of basic facilities, which are the cornerstone for stimulating investment. During the fourth development plan,

specialized banks are expected to offer about 60 billion riyals in capital to investors. As of the end of 1985, total loanable bank deposits amounted to about 113.4 billion riyals, a huge sum which the commercial banks have not exploited, particularly in the area of providing medium- and long-term loans, since there are only about 2,000 factories with 60 billion riyals in total invested capital. In his speech to the businessmen, Saudi Minister of Industry and Electricity Engr 'Abd-al-'Aziz al-Zamil pointed out that there are 100 billion riyals in bank deposits which have not been productively invested in the Kingdom.

However, investments have been made in 15 petrochemical, fertilizer and iron and steel projects, which in 1986 exported 4 trillion riyals worth of goods, a 15 billion riyal increase over 1985 exports.

The conversion industries have been remarkably successful, since by the end of 1986 there were 200 factories with more than 60 billion riyals in invested capital, producing various goods whose export value in 1985-86 was about 680 million riyals. Last year these factories' total sales amounted to about 23 billion riyals, which made the Kingdom self-sufficient in many commodities. At present, the industrial sector is contributing 9.5 percent of the gross national product, and the private sector must increase its contribution and its efforts so as to raise this percentage to 15 percent over the next 5 years.

After this short review of the private sector's investment guidelines and the investments which have been made, we here review the investment opportunities which the industrial and marketing services sectors are making available to businessmen in order to reinforce private sector participation in the national economy and to get it to invest further. Furthermore, this sector must be given more room to increase and diversify its domestic sources of revenue, which will help it consolidate its position in the market on the basis of the lucrative investment opportunities available in the Kingdom. We will review the most important investment opportunities in each sector of industry, maintenance and marketing services, as well as the primary reasons for these opportunities' pre-eminence, and the data in the attached tables will confirm the outstanding investment potentials in those areas. We will discuss the potential for growth and expansion for each domestic investment opportunity in those fields, in view of the increasing needs and growing demand on the local market for industrial products, operations and maintenance operations, and marketing services.

Investment In the Food Industries

Investment in agricultural processing is a fertile field which is important to the Kingdom's future development because it has arisen in response to several important goals, outlined in the fourth development plan, calling for continued efforts to bring about a real change in the country's economic infrastructure through a continual trend towards diversifying the production base by concentrating on industry and agriculture, encouraging and urging the citizens to invest in newly-formed industries which depend on local raw materials, and using production methods requiring as few laborers as possible.

As the first table shows, demand trends in the food industries illustrate the urgent need to establish more agricultural industries, since import figures show that we continue to depend on foreign sources for many of the agricultural products we need. This implication of the existence of a domestic demand proves that investments in this field could be successful in view of their possible economic returns, which would be lucrative for both the investor and the national economy.

Investment Opportunities Petrochemical-Based Industries

The private sector could invest in many industries based on SABIC-provided petrochemicals, in view of the rewarding returns which these industries generate for the owners, which with a few exceptions have averaged around 30 percent of total yearly sales. Furthermore, total sales for the existing plastics industries amounted to more than 3 billion riyals in 1983-84. We might also add that the local market is quite receptive to the idea of private production at the new factories which could be set up in this field; the following figures show just how limited these industries' local production is compared to total consumption. The second table shows that in 1985 the Kingdom imported 943,440 tons of such products, which constitute a fertile, opportune area of investment for businessmen, whereas according to statistics taken from the 1983 foreign trade directory, 894,569 tons were imported. This means that there was a 5.5 increase in imports over 1983. This proves the feasibility of any industrial projects in this category, especially those in which local production is non-existent or far below demand, such as glazing compounds, tires, synthetic textiles, detergents and insecticides, pharmaceuticals, prepared foods, and perfumes and cosmetics. The table shows the following import figures for 1985 for each of these products respectively: 34,134 tons, 127,342 tons, 43,417 tons, 17,034 tons, 25,671 tons, 96,366 tons, and 47,214 tons.

Investment Opportunities In the Metallurgical Industries

The metallurgical industries are important to the Kingdom's local consumption, since they meet many household and practical needs. Investment in these industries is becoming more and more important, and their returns are becoming increasingly diverse for the businessmen who invest in them, especially since local production is still very low compared to imports. As we shall see, the huge gap between local production and total consumption has become so wide that there is room for lucrative investment opportunities in such industries, as can be proven by the figures in the third table.

Investment In the Engineering Industries

The engineering industries sector offers lucrative investment opportunities no less important, if not more important in some cases, than those offered by the metallurgical industries. This is because these industries are capable of positively and intensely influencing not just industry, but other sectors of the nation's economy as well, because of the constant, mutual push-and-pull among these sectors. In addition, these industries have a profit potential which will be significant in increasing the rate of investment in this field,

as well as expanding local production of crucial commodities. In fact, a glance at the engineering industries listed in the fourth table will show the central importance of these opportunities and the tremendous profits they can generate for consumers with the passage of time.

Other Industrial Opportunities

In addition to the foregoing, there is another group of industrial opportunities which have certain merits reinforcing their economic feasibility and increasing their effectiveness, these advantages chiefly being their ease of manufacture, the relatively small amount of capital needed for investment, the local availability of many of the raw materials needed for their manufacture, and the limited number, and sometimes total absence, of factories producing them. At the same time, the Kingdom's imports of these products, as shown in detail in the fourth table, amounted to about 70,680 tons in 1985 as opposed to 90,489 tons in 1983, i.e. a 21.8 percent drop in imports, which indicates a huge gap between production and local consumption estimated at about 1.0925 billion riyals in 1985. This might be a fertile field for businessmen to study the possibilities offered by these opportunities and determine their economic feasibility. The fourth table outlines this data.

Investment Opportunities Provided by the Economic Offset Program

This program, managed by the Saudi Air Force, is based on the idea of having international companies which import war materiel and other items invest some of their revenues in industrial projects involving the transfer of advanced technology. At present, twelve projects are being studied by the committee responsible for the "shield of peace" economic offset program, total investments in which are expected to amount to US\$1.27 billion. All of these projects have been proposed by Boeing and General Electric, both of which have gotten large contracts in this field by promising to invest no less than 35 percent of the value of the technical services provided for in those contracts within the Kingdom, as part of joint ventures with Saudi investors.

The fifth table lists the proposed investment projects to be undertaken on the basis of joint investment between Saudi investors and foreign authorities, and illustrates the abundance of new investment opportunities in the Kingdom.

To give added dimension to this excellent investment trend, we could point out that Saudi businessmen with advanced expertise in modern technology and advanced administration operations have many options and opportunities for entering into joint investment activities with foreign companies in the future. This fact will help diversify these investors' investment fields and at the same time will increase their chances of benefitting from the expertise and modern production and administrative skills of those companies.

Investment Opportunities in Maintaining and Operating Government Projects

In this connection, the fourth development plan indicates the significance of operation and maintenance contracts, since they account for 10 percent of construction costs in general and are a source of steady employment, not like construction projects. On the average, operation and maintenance costs

account for 10 percent of basic construction costs, taking into account the large infrastructures, constructed during the previous plan, which must now be operated and maintained. During the fourth development plan, the net yearly value of operation and maintenance contracts might possibly amount to more than 145 billion riyals, according to the same plan. In addition, the Kingdom's climate necessitates the early replacement of basic structures, and therefore in the future the replacement of infrastructure items can be expected to be an important function for contractors.

This fact is proven by the figures in the attached tables, which show the growing amounts of money which government agencies will spend on operation and maintenance programs during the current plan. Although the projects shown in the tables differ in how much money they reflect or the specializations involved, they are still lucrative, extremely important investment opportunities which Saudi contractors should not pass up or hesitate to harvest. These operations and maintenance projects are an integral part of the activity of the contractors specializing in them, besides being a natural extension of such activity.

Private Sector Project Opportunities

This situation is reinforced by the fact that Saudi factories need advanced, independent maintenance companies or workshops to take over or assist in maintenance, because the maintenance services provided by those factories are inadequate, as well as being so costly as to represent a relatively large percentage of their production expenses.

It is becoming increasingly clear that for most conversion industries in industrial countries, maintenance costs amount to about 15 percent of total production costs. In view of the different climatic conditions and technical circumstances in the Kingdom, it is reasonable to expect maintenance costs for the Kingdom's factories to be higher than those for their counterparts in the industrial nations.

Therefore, even though there are not enough statistics on maintenance costs for conversion industries in the Kingdom, on a hypothetical basis such costs can be estimated at between 18 and 20 percent, on the average, of total capital invested in those industries. Since we already know, from the Industry Ministry's yearly report, that about 55 billion riyals were invested in such industries in 1984-85, we can thus assume in this case that total maintenance costs for those national industries varied between 9.35 billion and 11 billion riyals. If we take into consideration those factories which have not yet actually begun production, and whose invested capital is estimated at about 73 billion riyals, an additional sum of 13 to 14.6 billion riyals per year can be added to the total maintenance costs for those national factories. These huge sums no doubt reflect the Saudi businessman's concern over setting up central maintenance workshops to assist existing workshops at national industrial projects, most of which have a limited capacity. On this basis, one scientific approach is to set up a Kingdom-wide specialized industrial maintenance project to which many businessmen will contribute capital and which will meet the maintenance needs of existing national industrial projects, taking into consideration the industrial projects planned for the future.

This project could handle diverse maintenance needs, with a main center specializing in maintenance and repair and another center specializing in spare parts production, particularly those parts which are in great demand as well as being economically feasible. In addition, this main maintenance center must have several branches to be located in major industrial areas of the Kingdom according to the results of the feasibility studies which must be conducted in this regard.

Investment Opportunities in Marketing Services

Because of the recent drop in the volume of sales, due in part to the absence of adequate techniques for marketing national products, we can from the very start conclude that there are great investment opportunities in the various kinds of marketing services, the most significant being as follows:

1. Setting up joint-stock companies specializing in buying and selling national products and engaging in all operations connected with bringing the goods to the consumer quickly through modern distribution channels;
2. Establishing commercial organizations throughout the various towns and villages, which will sell either national or foreign products on a wholesale basis, since consumers have recently begun buying their needs wholesale so as to benefit from the prices offered by wholesale operations;
3. Establishing companies which will specialize in promoting and advertising national products, using modern techniques and all available information media, especially television;
4. Establishing a joint-stock transport company in which a large group of businessmen, particularly industrialists, will hold shares, and which will engage in transport and shipping operations between the various towns and villages of the Kingdom as well as other neighboring countries;
5. Establishing large marketing centers similar to those now found throughout the Kingdom, but which will market only local products, not foreign ones. This concept is based on the favorable response which national exhibitions have met with. It has been clearly demonstrated that such centers have been successful because of the profits they earn and the significant increase in sales over current levels. It has been suggested that industrialists help establish such centers by contributing part of the capital and leaving the rest open for public subscription. In addition, the state should not be stingy in aiding the establishment of such centers and helping them in every way, by granting land in suitable locations where these projects, once built, will attract the public. Furthermore, there is the possibility of material assistance from the Industrial Development Fund, since such centers are important to economic development in general and industrial development in particular.

The first step might be for the Kingdom's chambers of commerce to promote the idea of such projects, in order to arouse interest in investment in these centers because of the huge profits which they might generate.

New Developments In the Investment Climate During the Fourth Plan

In response to the Kingdom's new economic circumstances, and out of a desire to arrive at more appropriate conditions for investment in deserving economic areas and then transform these conditions into new guidelines for reinforcing the businessmen's tendency to invest, the fourth development plan has adopted several policies which will help achieve this goal and thereby give the private sector the chance to respond to future local demand for all sorts of consumer and production goods and services. These policies towards the private sector over the coming 5 years will reflect recent economic changes and ways whereby this sector can face the problems which might result from these changes. The most important of these policies are as follows:

1. Giving the private sector more opportunities to assume ownership of state-built projects, as well as to manage, operate and maintain them;
2. Encouraging the private sector to increase its investment in development projects;
3. Making sure that the state's private sector policy is suited to current conditions;
4. Encouraging that sector to invest in new areas and providing the necessary facilities for achieving that goal, while encouraging the banks to provide more facilities for production investment projects instead of concentrating on import trade; and
5. Encouraging the establishment of more joint-stock companies so that the greatest possible number of citizens can benefit from investment operations.

The most important steps and initiatives which the state will take to achieve these policies are as follows:

1. Helping mobilize investable capital. The government is at present studying several initiatives for deriving an appropriate financial framework adequate for investment in available production projects, including the following steps:
 - a. reviewing the regulations pertaining to the establishment of joint-stock companies to make sure that they will be compatible with future investment trends;
 - b. encouraging the establishment of joint-stock companies for capitalists and investment companies in general;
 - c. encouraging the establishment of financial brokerage organizations, as well as encouraging other financial methods which will help attract private capital and direct it towards lucrative investment fields;
 - d. studying ways of achieving a balance between benefits and risks in local economic investment fields, including investment opportunities which might be found overseas, in order to ensure that national capital will be put to use by being invested at home;

e. encouraging national commercial banks to increase their medium- and long-term loans, particularly in financing production investment projects, within the organizational jurisdictions granted by the Saudi Arabian Monetary Agency;

f. looking for ways to make it easier for small and mid-size companies to obtain their financial needs, so as to help them take part in the new fields of investment available to the private sector.

2. Transferring ownership of public investment projects to the private sector. After having issued a decree allowing the sale of part of SABIC's shares to the private sector, the government is now making a careful study of when and how many shares in other government organizations and companies will be offered for sale to this sector in the future.

3. Helping restructure the private sector by

a. offering advice and non-monetary assistance to companies which want to enter the export market;

b. encouraging the establishment of auxiliary companies for marketing and trade promotion; and

c. ascertaining the economic feasibility and financial and administrative discipline of investment projects requesting loans from specialized loan organizations;

4. Helping reduce investment risks by instituting a series of steps, the most important being:

a. continually helping the private sector identify lucrative investment projects, by means of the Industry Ministry, the executive ministries, specialized loan organizations, and chambers of commerce and industry;

b. forming specialized committees to determine and investigate investment opportunities and prospects in the various economic sectors;

5. Making sure that government policies are compatible with existing economic circumstances. Because of the state's desire to respond to the private sector's demands, the state will take the following steps to reinforce this trend:

a. conducting detailed discussions with the chambers of commerce and industry in order to determine the various aspects and areas of difference between the goals of the private sector plan and existing policies, so as to enable the private sector to play its required part within a suitable investment milieu;

b. drawing up a comprehensive, detailed list of the effects which the above-mentioned policies will have on investment patterns and the private sector's development; and

c. formulating policies which will be reviewed as needed in certain defined cases.

The National Company for Industrial Services and Maintenance

The National Industrialization Corporation has begun taking steps to develop a project for establishing a new independent company, the National Company for Industrial Services and Maintenance. This company's function will be to establish several industrial service projects, such as an industrial engineering project, a project for dealing with industrial surpluses, and projects for maintaining petrochemical plants, oil refineries, and cement plants.

National Industrialization Corporation Board Chairman Mahsun Jalal explained that establishing this company is one of the main concerns of the corporation, and is intended to transfer industrial technology to Saudi Arabia, develop existing projects, and take part in them. The establishment of this company follows the excellent results achieved by the National Industrialization Corporation in its last fiscal year, which ended on 31 December 1986; during this period, the corporation invested 114 million riyals in 16 various projects, including national companies, projects developed by the corporation, and other projects which the corporation was invited to subscribe to. The corporation made 43.3 million riyals in profits from these projects.

It should be noted that the National Industrialization Corporation is a joint-stock company with 600 million riyals in capital, and has two main areas of activity--the first being production projects and the second being industrial services projects. The corporation is one of the largest companies in which the stock, which amounts to almost 650,000 shares, is wholly owned by the citizens.

Table 1. Investment Opportunities in Food Industries

Item	Local Production in Tons	Imports in Tons			1985 Imports in Million Riyals	Self-Sufficiency (Percent)
		1983	1984	1985		
Fish, Canned, Preserved	-	1,966	16,490	20,496	116.0	-
Baby Food	1,000	9,259	9,757	10,873	70.5	8.4
Pickles	6,300	19,745	22,672	20,804	59.0	23.2
Canned Vegetables	1,200	112,257	115,640	84,973	182.0	1.3
Fruit and Vegetable Juice	561,326	242,171	207,751	154,049	462.9	78.0
Tomato Sauce	2,400	25,718	34,425	35,941	58.7	6.2
Animal Fodder	505,620	118,297	181,986	115,190	152.3	81.0
Macaroni, Noodles	7,650	19,496	19,152	17,111	50.0	30.0

Table 2. Investment Opportunities in Petrochemical-Based Industries

Item	Local Production in Tons	Imports in Tons		1985 Imports	1985 Imports In Million Riyals	Production-Consumption Ratio (Percent)
		1983	1984	1985		
Medicines:		23,364	33,892	25,671	1,138.4	-
74 million pills						
32 million ampules						
5 million ounces						
9 million packets						
Water-Based						
Paints, Dyes	83,700	80,473	86,697	71,349	278.5	51
Glazing Compound	-	39,385	38,949	34,134	113.4	-
Perfumes and Cosmetics	4,246	44,360	45,831	47,214	712.5	8
Polish for Shoes, Furniture, Floors and Windows	47	3,580	6,300	9,287	55.2	0.5
Glues	8,000	26,190	25,513	20,366	71.5	28.0
Films, Photographic Plates	85	5,800	478	478	102.2	15.0
Detergents and Insecticides	189	14,179	15,761	17,034	310.7	3.8
Tires, Wheels	-	115,166	137,241	127,342	1,135.0	-
Luggage	1,145,025	17,201	27,697	23,010	339.3	-
Paper, Cardboard Rolls, Sheets	-	180,755	175,261	180,584	412.2	-
Colored Paper, Cardboard	-	19,733	38,080	17,752	100.1	-
Wallpaper	110,228	3,388	3,591	2,687	33.0	30.8
Paper Bags and Cartons	-	53,792	47,984	36,512	124.3	-
Pile Carpets	1,511,800 pieces	2,190	1,733	1,594	98.8	27.0
Carpets, Rugs	-	-	-	-	-	-
Other Carpets, Including Velvet	1,440,200 pieces	90,029	96,345	8,696	884.5	3.4
Rubber, Plastic						
Sandals 769,600 pairs		6,148	5,539	6,378	83.1	-
Leather, Non-Leather						
Sandals 1,092,400 pairs		23,972	21,951	21,545	595.8	-
Outerwear of Synthetic Fibers 2,080		47,924	50,254	58,730	2,365.0	3.4
Synthetic or Blended Textiles	-	50,520	42,768	43,417	1,570.0	-

Table 3. Investment Opportunities In Metallurgical Industries
(Values Given In Millions of Riyals)

Item	Local Production in Tons	1985 Imports		Total Tons	Value	Self-Sufficiency (Percent)
		First Half Tons	Second Half Tons			
Nails, Screws	11,280					25
Nails		5,164.8	13.5	4,885.2	13.1	26.6
Screws		14,901.8	120.1	9,723.2	94.1	214.2
Iron and Steel						
Cables, Cords	5,000	6,408.6	23.2	6,075	22.8	46
Aluminum						
Cables, Cords	300	6,145.8	43.7	10,345	70.7	114.4
Non-Electric						
Stoves, Ovens, Heaters	1,700	7,852	92.8	5,620	64.5	157.3
Non-Electric						
Household Utensils						
Iron or Steel	-	15,508	200.8	11,732	158.3	359.1
Aluminum	7,528	1,731	21.9	2,190	31	52.9
Aluminum Fences, Bridges, Towers	5,000	9,335	155	8,699	135.9	290.9
Knives, Forks, Spoons	-	892	22.3	687	20.5	42.8
Metal Signs	-	1,350	25	889	19.1	44.1
Non-Electric						
Shavers, Razors	550,000					
1.1 million razors	shavers	388	22.5	278	17.5	40

Table 4. Investment Opportunities In Other Industrial Areas

Item	Local Production in Tons	Imports in Tons 1983	Imports in Tons 1984	1985 Imports Tons	Imports Million Riyals
Tables, Chairs	11,848 sets 27,500 chairs	35,850	32,837	24,294	284.3
Hospital Beds, Chairs, Operating and Examining Tables	-	4,375	1,498	2,897	60.6
Mattresses, Blankets, Cushions	167,000 pieces	13,579	14,657	12,113	105.2
Children's Bicycles, Riding Toys	50,000 units	6,146	4,548	5,128	45.8
Other Toys	100 tons	10,440	11,917	9,890	169
Table Tennis, Billiards, Club Games	2,500 sets	4,180	2,833	1,733	42.4
Buttons, Hooks, Hairpins	-	1,515	1,865	1,635	4.9
Brooms, Paintbrushes, Et Cetera	1,752,000 units	5,485	5,394	4,270	50.9
Records, Casette Tapes, Recorded and Blank Films	-	8,819	10,047	7,720	286

Table 5. List of Economic Offset Programs

Project	Estimated Costs Million Riyals 1989 1990	Required Labor Force First Year After Ten Years	Saudi Partner	Source of Technology	Current Status
Saudi Technical Center	117 168	150 900	30% Saudia 15% NIC (1) 5% GIO (2)	General Electric	Located at King Khalid Int'l Airport. Feasibility study to be finished May 1989. Construction to begin in 1989
Aircraft Development Center	130 180	280 1,350	30% Saudia 10% NIC 20% GIO	Boeing	Located at King Khalid Airport. Feasibility study to be finished in 2 months, Construction to begin in 1987
Modern Electronics Center	100 113	175 1,300	To be announced in 6 weeks	Westinghouse	King Khalid Airport Construction to begin by end of 1987
Center for Auxiliary Aircraft Equipment	36 45	70 500	Expected to be AEC	Expected to be a British internati- onal consortium	King Khalid Airport Construction to begin in early 1987
Digital Communications Equipment	60 110	40 450	Expected to be AAC	Standard Electric	Under study
Saudia Airplane Manufacturing	150 211	50 850	-	Boeing	Under Study

(1) National Industrialization Corporation
(2) Gulf Investment Organization

(continued)

Table 5, Continued

Project	Estimated Costs Million Riyals 1989 1990	Required Labor Force First Year After Ten Year	Saudi Partner	Source of Technology	Current Status
Applied Technology Center	35 45	50 200	-	Boeing	Under study
Engineering Center	40 450	10 50	-	Westinghouse	Under study
Air Technology	20 20	30 52	Contacts are under way with agricultural companies and businessmen to form a general company		
Computerization Programs	18 20	50 230	-	Boeing Computer Services	Under study
Large-diameter Steel Pipes	38 40	50 130	-	[Illegible] Steel Co. of California expected to participate	Under study
Medical Equipment	10 20	40 250	-	-	Under study
TOTAL	754 1,377	995 6,262			

VARIOUS ASPECTS OF INDUSTRIAL ACHIEVEMENTS REVIEWED

Riyadh AL-RIYAD in Arabic 18 Apr 87 p 10

[Article by Salih al-Ruways: "The Industrial Sector Has Attained a Good Growth Rate during the Three Development Plans"]

[Text] Eng Mubarak al-Khafrah, deputy minister of industry and electricity for industry affairs, stated that in the past three development plans the industrial sector has realized a good rate of growth, totalling 11 percent in the first development plan, 15.4 percent in the second and 14.1 percent in the third. It is expected that the fourth development plan will reach a [rate of] 15.5 percent, God willing. He said, "The growth of the government industrial sector in our country has constituted a strong impetus for the process of industrial development in general and the private sector in particular, and the government expects that this sector will support the main goals of the development plan, which are embodied in the establishment of domestic industries able to provide for local needs and exports, realize integration among the existing industries through the application of advanced technologies, develop production activities and use opportunities for industrial investment available at present, through the development of management methods, study of the drop in prices to enter into strong competition with similar imported goods and the formation of industrial holding companies, companies specializing in the maintenance field and marketing companies."

Eng al-Khafrah referred to the magnitude of the industrial sector's contribution to gross domestic product from 1970 to 1986, stating that the level of the contribution of national industry has greatly developed in the past period, since the industrial sector's contribution to gross domestic product from 1970 to 1975 was 6.4 percent and in the second development plan, 1975-80, 9.4 percent. He stressed that the ministry is working in concentrated fashion to realize a better rate than has been achieved.

His excellency also praised the establishment of exhibits and national industry weeks which are set up from time to time in the kingdom's cities and said, "There is no doubt that the exhibits and industry weeks have realized their objectives in terms of introducing domestic industry. The proof of that is the great response on the part of the citizens to visiting these

exhibits to learn about the quality of the products and the level of quality and prices from close at hand." He stated that the Ministry of Industry and Electricity is as concerned with intermediate industries as it is with major industries, since each complements the other.

This statement by his excellency appeared in the special supplement the Chamber of Commerce and Industry in the city of Jiddah issued on the occasion of the opening of the fifth exhibit of national industries.

It is worth pointing out that this supplement contained a number of articles by Saudi businessmen in which they described the extent of the progress which has occurred in domestic industries as a result of unlimited support from the government of the servant of the two holy shrines.

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PRIME MINISTER INTERVIEWED ON DOMESTIC ISSUES

Khartoum AL-SIYASAH in Arabic 7 Apr 87 p 3

[Interview with Prime Minister al-Sadiq al-Mahdi, by Editor-in-Chief Khalid Farah 'Abd-al-Rahman: "Prime Minister Answers AL-SIYASAH's Questions About Heated Issues"; date and place not given]

[Text] A legislative program, reform measures, removal of the vestiges of the May regime, a report on government performance, and a higher committee to eliminate liabilities--these are heated issues that Prime Minister al-Sadiq al-Mahdi covered in an interview conducted by Editor-in-Chief Khalid Farah 'Abd-al-Rahman.

He talked about expected reform measures and about the committee that will be formed to review government performance, defining six fundamental principles for safeguarding democracy.

Mr al-Sadiq al-Mahdi talked about the Constitutional Convention, Garang's movement, and relations with Ethiopia, Egypt, and Saudi Arabia.

Mr al-Sadiq [al-Mahdi] answered 16 questions from AL-SIYASAH, representing most of the heated issues on the Sudanese scene.

[Question] What is the next step after approval of the constitutional amendments in the Constituent Assembly? Is it true that this will be followed by resolutions about a purge?

[Answer] There are a legislative program and reform measures in whose way certain provisions stood as a roadblock. The constitutional amendments have removed that roadblock. We shall continue removing vestiges of the May regime and making the reforms necessary to serve the public, respecting legal provisions and justice.

[Question] A year after the establishment of the elected government, do you see a pressing need for cabinet changes to overcome the failures that have accompanied the performance of some ministers?

[Answer] The government will present a balance sheet of its performance during the year to define the pluses and minuses and their causes. We

in the two parties (Ummah and Democratic Unionist) have agreed to establish a high committee to review all aspects of performance and to define the revisions necessary for removing all the minuses. This may include reforms and changes in all aspects of public activity.

[Question] You have frequently spoken about how the democratic experiment irritates many groups and how this requires that it be safeguarded domestically and abroad from what threatens it.

How do you think this goal can be realized?

[Answer] In my view, safeguarding democracy lies in the following:

- Comprehensive national reconciliation expressed by all means.
- Public commitment to the defense of democracy,
- A law to register political parties so that they will work as legitimate tools in the popular partnership,
- A new press law to regulate the exercise of freedom of expression,
- Security vigilance based on correct information in order to know about conspiracies against the country,
- Success in providing the citizens with security, food, and justice.

[Question] Some people thought that once it was established, the elected government would hasten to return to a system of local rule based on elections--i.e., the election of local, municipal, and rural councils, based on making the citizens partners through voting in assuming the responsibilities of their regions.

[Answer] Yes, that is our approach. However, there are variables on the scene in the cities and regions. The cabinet has therefore reviewed the proposed law on local government and turned it over to a national committee chaired by Dr al-Jazuli Daf'allah. A local government law will be drafted in light of its recommendations, and local elections will then be held. The committee is about to finish its work and present recommendations.

[Question] If the Constitutional Convention is going to discuss the form of government in the Sudan, including the Southern Region, does this conflict with the Constituent Assembly's task of drafting the permanent constitution?

[Answer] No, it does not conflict. The National Constitutional Convention will serve as a platform for preparing the political principles on which the permanent constitution will be based. However, the constitution itself must be approved by the Constituent Assembly. When political agreement takes place, it will be completed by the role of the assembly.

[Question] Garang has said that his presence is still effective in the South through the constant attacks his forces are making against the army and that he will be able to realize even greater gains in the autumn season. What is your evaluation of what he said, and how can a cordon be thrown around his movement?

[Answer] Militarily, Garang's movement has not realized its goals of seizing the South and carrying the war to the North. Even its achievements during the time of the now overthrown regime--cutting river, land, and railroad communications--have been reversed now. Garang's movement has also been prevented from threatening productive areas lying in the south of the Northern Region. His attacks on southern and Arab tribes have brought military results because these tribes have come to oppose him.

Yes, Garang's movement can continue guerrilla activity, especially when they find a haven on the territory of a neighboring country, but this does not constitute a military achievement. From the political point of view, it constitutes a negative, because it increased the North's determination and exposes the defenseless tribes of the South to death. A large number of Garang's forces have therefore turned themselves in, preferring reconciliation.

[Question] How are relations with Ethiopia proceeding, now that it has become clear that Ethiopia is continuing to support Garang materially and militarily?

As long as there is [word illegible] on the Eritrean revolutionary movement on the Sudanese border, is it not possible to unleash this movement to regain its land, in order at least to create a balance consistent with what Ethiopia is providing to Garang?

[Answer] We believe that if Ethiopia considers its needs objectively, it will not hesitate to come to agreement with the Sudan, since it knows that the Sudan can harm it more than it can harm the Sudan. In spite of Ethiopia's present errors, we do not doubt that a day will come shortly for the establishment of relations with Ethiopia based on a foundation of mutual interests. The policies of nations do not rest on pure absolutes; they take into account the international and political reality. The Eritrean brothers understand the Sudan's position on their cause.

[Question] You have recently pointed to certain positive developments that have appeared on the horizon in the efforts at dialogue now going on between certain parties and John Garang's popular movement. What are the new factors that can encourage the continuation of peace efforts, despite your having described them as "a group of terrorists" and as bearing arms against the government?

[Answer] The first positive development is that the movement has begun to engage in peace initiatives, a number of which have reached me through channels.

The second positive development is that the workshop held in Washington focused on the peace option. The two neutral guests who attended that meeting--former President (Ayasanju) of Nigeria and Andrew (Teague), former American ambassador to the United Nations--stressed that there is no justification for bearing arms against a democratic state and supported the call for peace.

The third positive factor is that a not inconsiderable number of fighters have laid down their weapons and joined forces with their country, thereby choosing the peaceful solution and reconciliation.

[Question] The subject of the constitutional amendments has dominated the political scene, and there has been sharp conflict about them between the government and the opposition. What is your political evaluation of this battle and of its results for the course of democracy?

[Answer] In regard to the discussion of constitutional amendments and the review of provisions, I believe there has been agreement on amendments that realize the essence of what the government wants and that incorporate the observations made by others, thus leading to a national consensus on the amendments. This debate and its results were a gain for democracy and its progress in the Sudan and an addition to the fund of Sudanese political consciousness that has in many circumstances brought the country from confrontation to reconciliation.

[Question] There is talk and evidence of ongoing contacts between the government and the opposition on certain major national issues. In your opinion, is there any tendency toward expanding the circle of partnership in the near future?

[Answer] The talks with segments of the opposition included agreement on cooperation in major issues. This took place in relation to the constitutional amendments and economic planning and is in process of taking place in relation to the South, and so forth, together with preserving the goals of the uprising. In sum, we say that we should keep no one isolated from the political development of the country. This is a goal on which cooperation is taking place. However, the ultimate form of this cooperation is something being left to circumstances and to the opinion of the political forces that will make [the decision] in light of the public interest.

[Question] There has recently been much talk about national security and threats to it. What is your view of the immediate threats that confront the government in the absence of a national apparatus to monitor and provide information about threats to the course of democracy?

[Answer] The most serious of the dangers is that there is no coordination between the security agencies. This is what the new security apparatus will achieve. Its role will be to concern itself with external security and coordinate questions of security information in accordance with a detailed law that will respect the fundamental rights of citizens.

[Question] The unsettled situation in Darfur Region has begun to cause concern, especially with the coming of Libyan forces to the Darfur area. What measures has the government taken to deal with the security situation in Darfur?

What has been the result of Sudanese efforts to stop the Chad-Libya war from which the Sudan is suffering a great deal of harm?

[Answer] As for security in Darfur, particularly given the presence of Libyan troops--these troops are expected to be fully evacuated. The army will issue a report about this in light of its field investigations.

We have resumed efforts toward a Libyan-Chadian truce. The results have been positive, with both sides accepting the basis of the Sudanese proposal.

[Question] Do you think the experience of free elections in Egypt was influenced by the recent experience of the Sudan? Do you think that coordination is possible between the Sudanese and Egyptian political parties to exchange experience and cooperate toward safeguarding the democratic system in the two countries?

[Answer] Yes, I believe the democratic Sudan has had a positive influence on all similarly circumstanced countries. I look forward to positive relations between the Sudanese and Egyptian parties. The Brotherhood Charter works toward this, developing brotherhood in the popular field.

[Question] During your visit to Cairo, the Sudanese-Egyptian Brotherhood Charter was signed. When and how will this charter be activated to reflect the joint interests of the two countries?

[Answer] We are now drawing up the programs deriving from the Brotherhood Charter between the Sudan and Egypt. In light of the charter, an Egyptian delegation will visit us to establish the appropriate agencies and implement the program after agreement on its details.

[Question] Why has there been a delay in implementing the program of Sudanese-Saudi brotherhood, and how far have preparations for it proceeded?

[Answer] Nothing is hindering the Sudanese-Saudi brotherhood program. It will be accomplished shortly, God willing?

[Question] Do you believe the Sudanese initiative to resolve the Iran-Iraq conflict has reached a dead end, or do you still believe there is a possibility of reaching a peaceful solution to the Gulf war?

[Answer] There is no dead end. But we are waiting for better circumstances in [the war]. They will come, God willing. The important thing is that preparation is continuing and that the view is toward the medium and long range in relations. As for facing the war, we shall continue toward it, with the presence of better circumstances!

SUDAN

NEAR EAST

GARANG: WAR IN SOUTH AFFECTING NATIONAL SOVEREIGNTY

Khartoum AL-MAYDAN in Arabic 10 Apr 87 p 1

[Text] Colonel John Garang said that the ongoing war in the South of the country is affecting the Sudan's national sovereignty and has unprecedented negative and real impacts.

In a speech given on 6 April on the anniversary of the uprising, he stated his adherence to the Kokodam communique as a basis for resuming discussion, because it represents a working program for discussion laid down by the political forces and is a Sudanese achievement that must be praised since it was reached without external influences.

He said that lasting peace will come with consensus between all political forces, not just between the government in Khartoum and the Sudanese People's Liberation Movement.

Colonel Garang said that the arming of militias is a two-edged weapon, since it is not unlikely that these [militias] will turn against the people who formed them, if the balance of forces changes, and that they usually stand on the side of whoever pays them.

12937/9190

CSO: 4504/215

MINISTRY TO EXPAND INDUSTRIAL, FOODSTUFF PRODUCTS

Kabul HEYWAD in Dari 6 Apr 87 p 2

[Text] One of the significant economic events of our country which took place alongside other social and political events of our beautiful country during the last year was the beginning of the work of the 5-year plan. After the advent of the revolution, the 5-year plan attracted the attention of each and every institution and collectives and all in all, it attracted the attention of all the hard-working people of the nation towards realization of the predetermined objectives of this great plan.

One of the ministries which has undertaken the realization of the aforementioned plan is the Ministry of Light Industries and Foodstuffs which is in charge for carrying out the main duties pertaining to the processing of raw materials for agriculture, husbandry, forestry and orchards in order to insure securing the essential needs of the people. This ministry, during the past year has attained some success toward realization of the projected plans and in the area of production and increasing of the industrial products and foodstuffs alike. To this effect we have prepared a report which will appear below.

During 1365 [21 March 1986 - 20 March 1987], the Ministry of Light Industries and Foodstuffs, based on the current prices has produced and presented for sale to the public an equivalent sum of 8.15 billion afghanis worth of bread and bakery products, cotton, woolen and other similar goods plus lumber products, cooking oil, soap, sugar and various other light industry items and foodstuffs through 29 government and other private-owned plants and similar institutions. According to the volume of sale, the plan for the production of flour was realized 109 percent over and above the projected plan, that of bakery products 110 percent, textile and other similar goods 100 percent and lumber products 111 percent. In comparison to 1364 [21 March 1985 - 20 March 1986], a relative rate of growth of about 102.4 percent was noticed in the aforementioned products.

For the purpose of insuring the growth of the industries and increasing the volume of the foodstuff production, during the current year which corresponds to the second year of the 5-year plan after the advent of the revolution, the said ministry has proposed extensive plans. In comparison to the year 1365 in the proposed plan of the aforesaid ministry for the year 1366 [21 March 1987 - 20 March 1988] more than 400 percent of growth in the production of the Ministry of Light Industries and Foodstuffs has been considered. According to this plan by the end of the year in question about 18,000 tons of carded cotton, 180,000 tons of flour, 35,000 tons of bakery products, 3,000 tons of sugar, 270,000 meters of woolen textiles, 56 million meters of cotton and flax fabrics, 120,000 square meters of floor covering, 670 tons of soap, 300 tons of canned fruits, and 400,200 tons of cooking oil will be produced by the various government and other similar mixed enterprises of the Ministry of Light Industries and Foodstuffs.

PRIVATE SECTOR RECEIVES BOOST

Government Assistance

Kabul HEYWAD in Dari 13 Apr 87 p 2

[Text] In the light of national peace policy more than ever before, the DRA's government takes significant and important steps toward expanding the social foundation of the revolutionary rulership. For the reconstruction of various areas of public life many constructive measures and decisions are being adhered to in order to bring about certain social and economic transformations. Attracting of new political officials from among the ranks of our society and their practical participation in the government organs and other social and economic areas in given intensive attention. Furthermore, attracting the interest of the private sector, namely the local merchants and entrepreneurs and enhancing of their role in realizing the national policy of compromise and strengthening of the national economy is becoming ever more evident. Since the private sector has a particular position in the economic system of our society, and with more effective activities it can open the road for the reconstruction, progress and economic growth of the society, thereby achieving its fundamental role in realizing the social and economic transformations under the existing circumstances.

For this purpose, the party and the government of the DRA in the light of its objectives regarding an economic policy, taking into consideration the interest of the hard-working masses and the present evolutionary stage of the society, provides every assistance for the private sector and its growth of activities, with a view toward enhancing the cause of our national economy. Thus the party and the government provide extensive means for strengthening the role of the local or domestic entrepreneurs, merchants and other patriotic capitalists, so as to make it possible for such groups, with their available means and possibilities, to utilize their resources on the road to economic recovery and eliminating other impediments and deficiencies that might exist.

Our revolutionary government have always protected the interests of the private entrepreneurs according to the law and encouraged the participation of the local capitalists in the development of national economy. To this end it has provided various favorable conditions and other facilitating grounds for the private entrepreneurs.

Under such circumstances, from the beginning days of the revolution until this year of 1365 [21 March 1986 - 20 March 1987] an equivalent amount of more than

1.77 billion afghanis of assistance have been extended to the private sector for over 339 projects. Whereas, during the period before the advent of the revolution the number of such projects reached a total of 144 with an initial capital of about one billion afghanis.

Moreover, the government has provided noteworthy assistance to the private sector through distribution of land for the construction of plants and other sub-structural facilitating means such as building of roads and power stations, creation of security check points and other facilities for providing industrial and drinking water and other relevant services like construction of water channels in the industrial zones. The revolutionary government, based on its economic policy has made every effort so as by way of certain facilitating aids and exemption from customs duties and other taxes, protect the products of the domestic entrepreneurs and make it possible for them to compete with the foreign capitalists and entrepreneurs.

Furthermore, in order to encourage the economic activities of the private sector, considerable sums of money in the form of loans and easy term payments, have been extended to the aforesaid sector through the banks. Similarly, other forms of assistance and facilitating means have been provided by the government for the expansion of the activities of the private entrepreneurs which by itself have given rise to effective results in the national economy of the country.

Expanded Activity

Kabul HEYWAD in Dari 15 Apr 87 p 2

[Text] On the threshold of the upcoming conference of the national entrepreneurs and in continuation of our visit to other private sectors' institutions, we paid a visit to the Behsin plastic plant so as to become more familiar with the work of this factory and inform our interested readers accordingly.

The Behsin plastic plant became operational in 1357 [21 March 1978 - 20 March 1979] with an initial capital of two million afghanis, its present capital reaches four million afghanis. This plastic manufacturing plant is one of the small private institutions which employs eight workers. At present this plant operates a main manufacturing machinery with a stand-by unit which is used as a substitute. The products of this plant include footwears for children and women. The management of the plant claims that it has realized almost 100 percent of the projected production planned for the year 1365 [21 March 1986 - 20 March 1987].

The director of the said plant, with regard to the projected plan for 1366 [21 March 1987 - 20 March 1988], in concert with the national humanitarian policy and the decisions of the comprehensive conference of the national entrepreneurs said: We intend to increase our production volume during the current year and likewise hire more workers so as to be able to provide a better service toward the growth and strengthening of the national economy.

The national humanitarian policy which has been announced by the party and the revolutionary government for securing a reliant and stable peace in our land, is in reality a most philanthropic policy, since with securing peace and tranquility throughout the country and with the return of our countrymen from abroad we can enhance the level of our activities and provide employment opportunities for our countrymen in various plants. In this regard, the private sector can accomplish its intended affairs alongside the government sector in a more reliable fashion.

The comprehensive conference of the national entrepreneurs which is about to open in Kabul, enjoys particular conditions at the present time. Undoubtedly, this conference can bring about positive results in the growth of mutual relations between the private sector and the government. We can, through this conference, resolve many of the difficulties and the problems which obstruct the growth of the private sector plants. It is hoped that this conference in which many of the prestigious national capitalists are taking part, will investigate the problems and difficulties which pertain to the aforementioned sector and find an appropriate way to resolve them. We are looking forward to see the positive and valuable results of this conference.

12719

CSO: 4665/17

COTTON, BEET FARMERS RECEIVE ASSISTANCE

Kabul HEYWAD in Dari 15 Mar 87 p 3

[Text] The Council of Ministers of the DRA recently passed a resolution which will provide a series of concessions together with other material and technical assistance from the government to the cotton and sugar beet farmers. Furthermore, according to this resolution other necessary facilitating provisions will be provided for the farmers with regard to the cultivation of cotton and sugar beet. For instance, with the delivery of one ton of uncarded cotton or sugar beet, in addition to receiving the full price of the merchandise in question, the farmers will also receive, free of charge, various materials such as chemical fertilizers and other pertinent agricultural services.

Namely, the government will pay, on the average, a sum of 28,250 afghanis for one ton of uncarded cotton. In addition, an equivalent sum of 9,332 afghanis worth of chemical fertilizer and other cotton by-products such as cotton oil cake, cotton oil, linter and husks of cotton [a source of animal food] are put at the disposal of the farmers free of charge. Similarly, on the average a sum of 1,866 afghanis is paid to the farmers for each ton of sugar beet, while an equivalent amount of 11,000 afghanis worth of chemical fertilizers and other by-products of beets are put at the disposal of the farmers free of charge. In a like fashion, the cotton and sugar beet farmers will be exempt from paying their dues and other forms of commissions pertaining to transportation fees during the time of delivery of their products, and as a further incentive the amount of rent of mechanized agricultural equipment and machinery such as tractors, etc., is also reduced from 375 afghanis per hour to 250 afghanis for these farmers. Moreover, the cotton and sugar beet farmers can, through the Farmers' Cooperative Union with the cooperation of the Ministry of Commerce obtain their needed consumable goods according to predetermined rates.

At this time when the spring cultivation season has arrived and when our toiling farmers are busy cultivating their lands in an atmosphere of peace and quiet, the cotton and sugar beet farmers of the country make utmost use of the available possibilities in the area of cotton and sugar beet cultivation, thereby help in enhancing the growth of our national economy and their own families as well. In so doing, they tend to perform their national duty toward the progress and comprehensive development of the country too.

12719

CSO: 4665/16

CHITTAGONG CHAKMAS APPEAL TO UNITED NATIONS

Bombay THE TIMES OF INDIA in English 27 Apr 87 p 14

[Text]

AGARTALA, April 26 (UNI).

FACED with what they call increased torture and oppression by the Bangladesh army, Chakmas, Buddhist tribals living in the Chittagong hill tracts have appealed for help to the United Nations and various human rights organisations.

A booklet listing the alleged atrocities has been published by the newly-formed "Parbatya Chittagram Jana Samhati Samiti," which is advocating the cause of these tribals.

The publication also contains the names of army units and officers of various ranks. As many as 48,000 Chakmas have crossed over since 1986 the Bangladesh border to India and are presently lodged in makeshift refugee camps set up by the Tripura government.

The Chakmas have also protested against the rehabilitation of Bengali Muslims in the hill tracts, by the Bangladesh government.

The booklet includes names and addresses of 684 tribals, who, it says have been killed by the soldiers of the Bangladesh army during sudden raids on Chakma villages in the hill tracts.

The 84-page publication also gives gory details of the atrocities allegedly committed by raiding soldiers of the Bangladesh army on innocent people including women and children.

According to the booklet, in December last year, Muslim settlers, led by a self-styled captain Shaheed raided a Chakma village and killed 20 people, besides raping a few women. Sixteen people were also injured in the attack, the report says.

The Bangladesh government, has, however denied all such charges.

A lieutenant of the Bangladesh army allegedly raped a 21-year-old Chakma housewife in November last while another woman, a teacher was criminally assaulted allegedly by a major of the army, the booklet said.

It also cites cases of several teenaged girls being gangraped by soldiers of the Bangladesh army. Those who managed to escape the alleged brutalities by the army, are now in the refugee camps in Tripura, it said.

The samiti, in a note, expressed concern over the "reign of terror being pursued by the cruel government of Mr Ershad for extermination of the Chakmas."

"The increased violation of human rights by the Bangladesh army and para military forces are rather unknown to the world", the samiti said.

PTI adds: Uncertainty hangs over the fate of tribal Chakma refugees, who fled their hearth and homes in the insurgency-torn Chittagong hill tracts of Bangladesh to take refuge in Tripura, though a full year had gone by.

The tribals who came over to Tripura narrated tales of brutality at the hands of the Bangladesh rifles and re-settlers who were rehabilitated on the hill tracts.

The continuous influx of refugees forced the Tripura government to open four evacuee camps in the south district.

/9274

CSO: 4600/1698

PARIS MEETING AGREES ON AID TO COUNTRY

Dhaka THE NEW NATION in English 23 Apr 87 pp 1, 8

[Text]

The aid consortium meeting for Bangladesh at Paris has pledged US dollars 1.95 billion for the fiscal 1987-88, according to a message received here last night reports BSS.

The last year's amount by the aid group to Bangladesh was 1.85 billion dollars.

The 14th Bangladesh Aid Group meeting was held on April 21 and 22 under the chairmanship of Mr David Hopper, Vice-President, South Asia regional office, the World Bank. Bangladesh delegation was led by Finance Minister M. Syeduz-zaman and included several senior government officials.

New aid indications at the meeting by donors amounted close to US dollar 1.95 billion compared to US dollar 1.85 billion announced at last year's meeting. Several donors expressed sympathy with government's request for additional aid in the form of food, the message said.

The meeting was attended by delegations from Australia, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Japan, the Netherlands, Norway, Sweden, the United Kingdom, the United States, the Asian Development Bank, the Commission of the European Communities, the International Monetary Fund, the United Nations Development Programme and the World Food Programme.

Representatives from Italy and Switzerland, and from the Development Assistance Committee of the Organization for Economic Cooperation and Development, the International Fund for Agricultural Development, the Islamic Development

Bank, the Kuwait Fund for Arab Economic Development, and the Saudi Fund for Development attended as observers.

The meeting was apprised of the progress in the studies for the Jamuna multipurpose bridge. The second phase, a full-scale computerised bridge design study, is about to start. The government delegation stressed that this was a high priority project for which it would elicit donors interest around mid financial year 88.

The participants in the meeting congratulated the Bangladesh government of the macroeconomic performance of the country and agreed that sustained vigorous growth was a necessary condition for poverty alleviation. Several donors stressed the need to direct more attention towards improving the status of women, who as a group, remain an important untapped development resource. Although most speakers recognized that there were indications that income growth had percolated to the poorer strata of the population, it remained to be seen if these gains were sustainable.

In summary, the aid group called on government not only to continue its effort to deal directly with the problems of widespread poverty and assistance to disadvantaged groups, notably to women, but also to establish reliable monitoring systems to follow up progress in these areas. In terms of project implementation and aid utilization, group members felt that government needed to take measures to tap at a more rapid rate the existing pipeline of undisbursed project

funds. They took note of government's intention to streamline procedures in the areas of project processing, approval and funding, in identifying and funding technical assistance, and in training programmes for local staff. In that context the members of the aid group stressed the need to mobilize domestic resources in an equitable way through tax reforms, efficient pricing of public goods and services and cost, as well as credit recovery to make available more local funds in order to step up project implementation and thus utilize more rapidly foreign aid. Donors urged government to provide increased opportunities to the NGOs and to ensure a coordinated environment within which NGOS could operate. Finally, various speakers urged the government to sustain a vigorous pace of implementation in the critically important population and maternal and child health programme.

The meeting reviewed progress under the first two years of the Third Five Year Plan 1985/90 (TFYP) and the prospects for the remaining three years. The meeting took note of the 3.0 per cent rate of economic growth recorded during 1985/86 and of the 4.5 per cent expected for 1986/87. While these rates are commendable under world standards, particularly under the prevailing difficult economic and market environment, they fall short of the 5.4 per cent TFYP target and were deemed insufficient by the meeting to meet the development needs of the country's large and fast growing population, particularly in terms of additional employment generation and substantive poverty alleviation. The meeting also took note of the favourable performance of various macroeconomic indications which have resulted from the implementation of sound policies. It was noted particularly that the overall balance of payments has strengthened gross reserves have increased and are expected to increase further by the end of financial year '86-87 and the budget deficit remains under control. While low industrial and agricultural credit recovery remains a problem, the recent implementation of financial discipline measures are beginning to bear fruit.

Turning to the outlook for 1988-90 the meeting concluded that while it will be a difficult task, attaining a rate of growth in excess of five per cent during the remaining period of the TFYP was possible and indeed necessary in the circumstances prevailing in Bangladesh. To that end, the government will have to sustain the pace of its programme of structural policy reforms and step up its implementation. In particular, the efficiency of the public administration will have to be improved to improve in turn the impact of public investment. It will also be necessary to implement further procedural and administrative reforms to accelerate the rate of utilization of the existing pipeline of committed resources, both domestic and foreign. The government will need to further mobilize domestic financial resources through tax reforms improvement of public enterprises management and economic pricing of public goods and services. Financial reforms and credit discipline will also need to be reinforced.

Within the framework of the achievements and challenges noted above, the government delegation reaffirmed its commitment to attain the growth and human development objective of the plan during the remaining years covered by TFYP.

the macro objectives involve raising the annual level of real GDP growth to at least five per cent, reducing the rate of inflation to seven per cent and stabilizing the external current account deficit and the budget's to about seven per cent of GDP. To that end, the government intends to pursue policy adjustments in the areas of agriculture and food, industry, trade, money and banking, domestic resources mobilization and public expenditures. The donors were gratified that, concomitant with the foregoing policy reforms, the government of Bangladesh restated its commitment to the Third Five Year Plan objectives of poverty alleviation. In this regard, particular attention would be directed to the needs of women and to the assetless and other vulnerable groups. In addition programmes to promote human and social development e.g. health, family planning, education would be given high

priority, Such policies and programmes were considered necessary to accelerate growth and at the same time to set the stage for broadly based medium term development.

These measures, in the view of the delegation, need to be supported by three complementary action programmes related to capital inflows : (A) project implementation must be improved to increase disbursement of project aid, (B) commodity and programme assistance must increase by about five per cent annually in real terms—half on which in food aid, and (C) mobilization of domestic savings and the efficiency of investment must of improved.

The government delegation particularly stressed the need for additional food aid to permit the stabilization of food prices and assure food availability to vulnerable groups. The government delegation felt that the success of the structural policy measures greatly depended on the access to this addition aid.

/13046

CSO: 4600/1683

AGREEMENTS TO RECEIVE JAPANESE AID SIGNED IN DHAKA

Dhaka THE BANGLADESH OBSERVER in English 24 Apr 87 p 1

[Text]

Bangladesh will receive Japanese grant assistance of 2,450 million yen (approximately Taka 49 crore) under four separate agreements signed in Dhaka between Mr. Toshihiro Takashahi, Charge D' Affairs of Japan in Bangladesh and Mr. Ayub Quadri, Joint Secretary, External Resource Division on Thursday.

Under one agreement, Bangladesh will receive grant assistance of 250 million yen for procurement of fire-fighting equipments and rescue vessels. The country received grant assistance of 200 million yen in 1984 for strengthening the Bangladesh fire service and civil defence.

Under a separate agreement, Bangladesh will receive grant assistance of 1200 million yen for implementation of projects for increasing food production. Bangladesh received 3,800 million yen in 1986 under the same assistance programme. The Ministry of Agriculture and BADC procured agricultural

machinery, fertilizer and pesticide with the grant.

Under the third agreement, Bangladesh will get grant assistance of 300 million yen for procurement of iron sheets from Japan for rehabilitation for the distressed areas affected by cyclone and floods. Bangladesh received a total of 3,460 million yen from 1982-1986 under the programme.

Under a separate agreement, Bangladesh will get 700 million yen for procurement of steel tubular poles for Power Development Board for improvement of power transmission and distribution system. Bangladesh has received 1,200 million yen during 1980, 1981 and 1983 under the same programme.

It may be recalled here that Japanese grant assistance to Bangladesh since 1971 stands at 122,207 million yen (nearly Taka 2,444 crore) while Japan has provided commodity aid of Taka 5,901 crore to Bangladesh since 1973.

/13046

CSO: 4600/1663

PROTOCOL ON COOPERATION SIGNED WITH ZIMBABWE

Dhaka THE NEW NATION in English 23 Apr 87 pp 1, 8

[Text]

An agreed minutes to increase and strengthen cooperation in the field of economic, cultural and technical relations between Bangladesh and Zimbabwe was signed here yesterday morning at the end of the 5-day visit of the eleven members Zimbabwean delegation to Bangladesh, reports BSS.

Commerce Minister Mohammad Abdul Munim and the Zimbabwean Minister for Energy, Water Resources and Development, Mr. Kumbirai M. Kangai signed the agreed minutes on behalf of their respective governments.

Mr. Kangai had detailed discussions with the Commerce Minister of Bangladesh on the possibilities of expansion of trade between the two countries. Trade between the two countries is mainly conducted at present through third parties. It was decided that in future, trade between Bangladesh and Zimbabwe would be conducted directly.

It was also agreed that the range of goods and commodities being traded currently between the two countries, would be increased in future. At present Bangladesh mainly exports jute goods to Zimbabwe but it is expected that her export items like

paper products, hardboard, particle board and paper board, fish excluding tinned, drugs and medicines, electrical wires and cables, garments (RMG), chemicals and pharmaceuticals specialised textiles, electric goods including transformers and insulators would be exported to Zimbabwe in the future.

To facilitate the increase of the volume of trade, the two countries have further decided that direct contacts would be established between Trading Corporation of Bangladesh, Export Promotion Bureau of Bangladesh and the Federation of Bangladesh Chambers of Commerce and Industry with their counterparts in Zimbabwe. It is likely that the two countries will sign Special Trading Arrangements (STAS) between their respective public and private sector trading concerns. A draft trade agreement between the two countries is already under consideration and it is expected to be finalised soon. It is also expected that a joint commission agreement between the two countries may be signed in near future.

The Zimbabwe delegation have also expressed their desire to exchange information on jute technology from Bangladesh.

Zimbabwe has also sought assistance in the field of education, culture and particularly places for her students in Bangladesh institutions in the subjects like engineering, medicine, architecture and pharmacy.

Zimbabwe has also sought assistance in teacher, education, curriculum development, non-formal education, technical training, youth programmes and women programmes.

At present Bangladesh has provided a number of technical personnel in civil and electrical engineering and architecture to Zimbabwe and some more are scheduled to leave for Zimbabwe soon. It is expected that more such personnel would be recruited by Zimbabwe for employment there.

Mr. Kangai, during his five-day visit to Bangladesh also called on Prime Minister Mizanur Rahman Chowdhury and discussed matters of mutual interest. He also had separate meetings with Mr. Humayun Rasheed Chowdhury, Foreign Minister, Mr. Anwar Hossain, Minister for Energy and Mineral Resources, Mr. Zafar Imam, Minister for Jute and Mr. Abdur Rashid Engineer for Labour and Manpower.

/13046

CSO: 4600/1683

PAPERS REPORT VISIT OF TURKISH FOREIGN MINISTER

Airport Arrival

Dhaka THE NEW NATION in English 18 Apr 87 pp 1, 8

[Text]

The Foreign Minister of Turkey, Mr. Vahit Halefoglu, arrived in Dhaka yesterday on a three-day visit to Bangladesh and expressed the hope that his visit would further strengthen the existing "brotherly" relations between the two countries, reports BSS.

"Turkey and Bangladesh are good friends with bilateral cooperation in different fields and I hope my visit will deepen the bond of friendship and enhance the level of cooperation", he told newsmen at the airport.

Mr Halefoglu, who is leading a five-member delegation, is accompanied by his wife. They were received at the airport by Foreign Minister Humayun Rasheed Chowdhury and Mrs Chowdhury. The Ambassador of Turkey in Dhaka, Mr Halit Guvener was also present.

The Turkish Foreign Minister said that he would discuss bilateral, regional and international issues of common concern with Bangladesh Foreign Minister during his stay here. "I was waiting for the visit for some time past and I am glad that the visit has taken place," he said.

Mr. Halefoglu expressed his satisfaction over the volume of cooperation between two countries at different levels and said that two countries were keen to further consolidate the cooperation in the political, economic, cultural and technical fields.

"We will also discuss regional and international issues of common concern", he told newsmen responding to questions.

The Turkish Foreign Minister said that the continuing war between Iran and Iraq, two Muslim countries, was a matter of concern for both Bangladesh

and his country as well as to the entire Islamic world.

"We are continuing our efforts in the framework of the Organisation of Islamic Conference for an amicable settlement of the conflict", he said.

He told another questioner that minority Muslims in Bulgaria were being subjected to manifold harassment and repression in that country as they were not being allowed to perform their religious rites, and speak and write in Turkish language which was their mother tongue. "It is a matter of concern for Muslim countries as well as for entire mankind" Mr Halefoglu said.

Mr Halefoglu put the figure of minority Muslims in Bulgaria at one tenth of total population of that country and said that the treatment being meted out to the religious minority there was a negation of human dignity.

Asked whether his country would press friendly countries for recognition of the northern Cyprus government which Turkey had recognised, the Foreign Minister observed, "We never press for anything and we want friends to take decisions on important matters in accordance with their policy. However, he said that northern Cyprus government was very much in existence and many countries had links with them even without extending recognition.

The Turkish Foreign Minister during his stay here will call on President H M Ershad. He will have wide-ranging talks with his Bangladesh counterpart Mr Humayun Rasheed Chowdhury.

Agreements at Talks

Dhaka THE BANGLADESH OBSERVER in English 19 Apr 87 p 1

[Text]

Bangladesh and Turkey on Saturday decided to further bolster their bilateral cooperation at various fields and took a number of decisions towards that direction, reports BSS.

In a significant move two sides also agreed in principle to abolish visa system between the two "brotherly" countries.

The decisions emerged at the more than two-hour long discussions between two countries in Dhaka on Saturday.

Foreign Minister Humayun Rasheed Chowdhury led the Bangladesh delegation in the meeting while visiting Turkish Foreign Minister Vihat Halefoglu headed his country's side. Two Foreign Ministers exchanged the instruments for ratification of the maritime agreement signed during the visit of Prime Minister Turgut Ozal in Dhaka last year. "The outcome of the meeting has been extremely fruitful and this will further strengthen the existing closer bilateral ties" official Bangladesh sources told newsmen. Bilateral, regional and international

issues of common concern came up for discussions in the meeting.

Two sides have agreed to collaborate in the field of radio and television and this has been a new area of cooperation. Besides, they have decided that the first meeting of the Bangladesh-Turkey Joint Economic Commission would be held in September-October, this year. Two sides had earlier agreed in principle to set up the Joint Economic Commission.

It is expected that the Joint Economic Commission will help streamline the current cooperation in different economic fields and also enhance the cooperation in other fields. The setting up of joint venture projects and expansion of projects will come under the purview of the JEC which is likely to take up all issues of economic cooperation when it meets later this year. The two sides also agreed to exchange scholarships. Officials of two countries would work out the details of the decisions taken on Saturday including that of abolition of visa.

Departure Press Conference

Dhaka THE BANGLADESH OBSERVER in English 20 Apr 87 pp 1, 8

[Text]

Turkish Foreign Minister Vihat Halefoglu, who left Dhaka on Sunday after a three-day goodwill visit to Bangladesh, stressed the importance of further development of economic, trade and cultural relations between Turkey and Bangladesh. He was convinced that a strong political will existed between the two countries to promote Dhaka-Ankara relations.

Addressing a Press conference at the state guest house 'Padma' the Turkish Foreign Minister termed Dhaka-Ankara relations as very warm, close and historic. He recalled with gratitude the warm feeling and love shown by the people of Bangladesh for Turkish leader Kamal Ataturk by naming an avenue in Dhaka and a high school in Noakhali after the Turkish leader.

He expressed his satisfaction at the outcome of his talks with the

leaders of Bangladesh. He said that he had exchanged views with the leaders in Dhaka on bilateral matters and regional and global issues. He added that Bangladesh and Turkey had identical views on Iraq-Iran and situation in the Middle East, Afghanistan and Africa. He said that both Turkey and Bangladesh as active members of the OIC Peace Committee would continue their effort to resolve the Iran-Iraq war.

On bilateral matters the Turkish Foreign Minister emphasised on exchange of trade and cultural delegations between the two countries. He said that Turkey had rich experience in cement factory, glass and crystal industry, textile, leather and electronics industries. He added that Turkey was ready to exchange its experience in these sectors with Bangladesh.

The Turkish Foreign Minister said that Bangladesh and Turkey had rich cultural heritage and he stressed importance on promotion of cultural relations between the two countries through exchange of delegations of students, teachers, journalists and artists. He informed that now 50 Bangladesh students were studying in Turkey with scholarship from Turkish government and this number would be enhanced, he assured.

The Turkish foreign Minister told newsmen that during his visit he had informed the leaders of Bangladesh about Turkish stand on Turkish Cypriot and the plight of the Turkish Muslim Minority in Bulgaria. He blamed the Greece for its non-cooperation in resolving the Cyprus issue and he noted that the division

of Cyprus was inevitable if Greece do not change its stubborn attitude.

Asked whether he had requested the Bangladesh government to recognise Turkish Cypriot, the Turkish foreign Minister replied in the negative. Without naming the countries he said, "certain foreign countries had been preventing our friends to recognise Turkish Cypriot". He said that Turkey did not want to embarrass her friends by pressing for recognition to Turkish Cypriot. "We believe our friends will take their own stand on the issue" he added.

In reply to a question he said that Turkey would support the candidature of Bangladesh for the membership of the UN Security Council for 1989-90

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CSO: 4600/1661

ERSHAD VISITS 'BANGLADESH-CHINA FRIENDSHIP BRIDGE' SITE

Dhaka THE BANGLADESH OBSERVER in English 17 Apr 87 p 1

[Text]

President Hussain Muhammad Ershad on Thursday visited the under construction 'Bangladesh-China Friendship Bridge' over Buriganga to assess the progress of works of the project, reports BSS.

The President after laying the foundation stone of Meghan Bridge drove himself straight to the bridge site at Postagola via Polder Road, the under construction road connecting Jatrabari with Kanchpur Bridge.

President Ershad was highly impressed to see the faster rate of progress of construction work of the friendship bridge. The Chinese engineers working there informed the President that one-third portion of construction works of the bridge has been completed.

The President laid the foundation stone of the bridge at a function at the bridge site on November 18 last year.

President Ershad during one of

his visits to China raised the matter of Chinese cooperation towards the construction of much-felt bridge over Buriganga with the Chinese leadership with whom he has a personal good rapport.

In the follow-up, the Chinese Government offered Bangladesh Government to finance and construct the bridge by themselves. The offer was welcomed by Bangladesh and proposed to name it 'Bangladesh-China Friendship Bridge' as a symbol of friendship and cooperation between the two countries.

While visiting the site on Thursday the Chinese engineers informed President Ershad that presently 145 Chinese expatriate engineers and technicians and 400 local personnel are working in the construction of the bridge. They also told the President that the approach pile structure of the bridge has been laid and now they are working on the main structure in the centre of the river.

/13046

CSO: 4600/1660

ERSHAD CITES DEVELOPMENT AIMS FOR NEXT 5 YEARS

Dhaka THE NEW NATION in English 24 Apr 87 pp 1, 8

[Text]

HAIMCHAR (Chandpur) : Apr 23 (BSS): President Hussain Muhammad Ershad today spelled out five-point development objectives of his government to be pursued in the next five years for attaining rapid economic growth for the benefit of maximum number of people.

The five-point development programmes are: removal of poverty of the masses, reduction of population growth rate, acceleration of development of communications and energy, ensuring of expeditious industrialisation, expansion of medical care facility and promotion of education.

Addressing a huge public meeting here, the President said these development outlooks vital for accelerated and balanced economic uplift on implementation would set the fundamental base line for prosperity.

The meeting was also addressed by Prime Minister Mizanur Rahman Choudhury, Relief Minister Shamsul Huq, Minister and Jatiya Party Secretary General Mahmudul Hasan, member of the parliament Roushanara Mannan and local upazila chairman Mohammad Kalkobad.

President Ershad said last five years of his government has set a sense of direction for development. The development objectives framed for next five years will not only consolidate the development gains attained in preceding five years, but will further accelerate the pace of development. He said, "What we say, we mean that. We have proved this in the past too."

Detailing the programmes, the President said poverty in the multitude of population cannot help maintain a congenial and balanced society. The fruits

of independence must reach all sections of people, he said adding economic difference must be narrowed down by efforts to improve the condition of the commonman.

President Ershad said, "I know it is not possible to remove poverty overnight because of resource constraints and accumulation of problems over the years in colonial days. But, at the same time, we cannot sit idle getting lost in the whirlpool of indecision. We must start from some point and one day, we will reach our objective of removing poverty from the society".

On his government's objective of cutting the population growth rate, he said, even by increasing farm production to optimum level we will not be able to feed mouths double the present size. He said if the present population growth rate is not drastically cut, the population will exceed 16 crore by the turn of the century.

The President said in order to ensure our future, we have no alternative but to contain the population within a tolerable size. Otherwise, not only the development results will be nullified, but our future will also be uncertain.

On government programme of development of communications and emergency, President Ershad said well-knit communications network and availability of energy are vital for any development. With that end in view, he said, his government has laid importance on expansion and modernisation of communication network.

He said, the country's electricity generation capacity which was 700 megawatt in early 1982

has now been doubled to 1,400 megawatt. Generation capacity of 300 megawatt more will be ready in near future, he said.

The President said, the distribution line of power has been expanded taking it to the rural areas. In this context, he mentioned striking of oil and expansion of gas distribution structure.

About his government's industrialisation programme, President Ershad said side by side with efforts for increasing farm production, rapid industrialisation will be carried forward to create employment opportunities and enhance domestic resources.

He said the industrial policy has provided all possible facilities to development and broad-basing industries in the country. Special emphasis has been laid on development of small industries, he said adding: industrial estates are being set up down to the upazila level to expand the industrial base.

On Government's programme for health and education sectors, the President said primary medicare facilities have been taken upto the upazila level and programmes are underway to extend it to the union level. Similarly, primary education will be ensured to every citizen to make the population a useful resource to complement development endeavour.

Making reference to the fancy of a section of politicians speaking about absence of democracy and freedom of speech, President Ershad said they themselves do not believe in what they propagate. Their past days in government bear testimony to their contradictions and hollowness of their contentions.

These politicians think that their responsibility terminates upon making speeches only, he said, adding: these politicians have not only failed in their responsibility towards the people while in power in the past but they are yet to articulate their economic programme for future. He said they find it easy to see faults with others and are trying to befool the people with false promises.

The President said because of their wrong politics, these politicians have been alienated from the people. They are now confined only to making speeches and statements and they think that their duty is over with the speech making. He said the conscious people of the country

are aware of these politicians as they know their past and know that speeches will not fill their stomach.

Turning to the food position, President Ershad categorically said that there was no shortage of food in the country. The shortage that the country has suffered because of late floods last year has been met by the reserve stock, he said adding: now with the harvesting of the new crop, the price is coming down.

Giving stress on women's education, he urged upon all to ensure dignity of and rightful place to the women in the society to enable them to contribute their mite towards national development. In this context, he emphasised female education saying education to the women will not only promote education in the country, it will also make them conscious of their rights and responsibility towards the society.

The President mentioned the positive fruits being delivered by upazila system in initiating rural oriented development of the country and said he has created the upazila system to ensure balanced uplift of all parts of the country and involve people's participation in nation-building activities.

He said Upazila is my creation. It has come to stay. I shall make it more effective in implementing development programmes of the government.

Speaking at the meeting, Prime Minister Mizanur Rahman Chowdhury spoke of the efforts of President Ershad in ameliorating the condition of the common man through various reforms and steps. He said the sincerity of President Ershad in this regard has been proved through his actions which include land reforms, decentralisation of administration and so many others.

He said with the creation of upazila system through which all development agencies have been taken nearer to the rural masses the face of rural Bangladesh has been changing fast. Now, small townships are growing up centering round the upazilas in the country.

In his speech, Secretary General of the Jatiya Party, Mr. Mahmudul Hasan said the thrust given by President Ershad on rural uplift has brought about qualitative changes in the politics of the country which no

more is confined to the urban population, nor is to their benefit only.

He said the opposition politics which still suffers from colonial legacy has been rejected by the people who want progress instead of getting confused and misguided by the hollow speeches of the opposition.

In his speech, Relief Minister Shamsul Huq spoke of the people oriented development programme of President Ershad directed toward the improvement of the lot of the common-man living in rural areas. He said as a result, the rural areas now see bulk of development activities which was almost absent in the past.

Before returning to the capital, President Ershad also addressed a meeting of upazila chairmen, union parishad chairmen and members of Chandpur district.

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CSO: 4600/1664

ANNUAL DEVELOPMENT PROGRAM REVISED DOWNWARD

Dhaka THE BANGLADESH OBSERVER in English 19 Apr 87 pp 1, 8

[Text]

The National Economic Council (NEC) on Saturday approved the revised Annual Development Programme (ADP) for the fiscal year 1986-87, reports BSS.

The Council met at the President's Secretariat with President Hussain Muhammad Ershad in the chair.

Vice-President A.K.M. Nurul Islam, Prime Minister Mizanur Rahman Chowdhury, Deputy Prime Ministers and concerned high officials were present in the meeting.

Speaking on the occasion the President directed the concerned authorities to step up efforts for effective mobilisation of domestic resources to meet additional allocations for the next ADP.

He cautioned the sector corporations against misuse of funds and instructed them to bring about financial discipline.

The President asked the PDB to overcome system loss to procure more Government revenues. He also advised the Ministry of Works to take stern measures against unauthorised occupation of any government accommodation before or after construction.

The revised ADP for 1986-87 envisages a total of Taka 4512.49 crore including local currency and project aid components of Taka 2024 crore and Taka 2488.49 crore respectively. The total allocation in the original ADP was Taka 4764 crore.

Taka 3577.76 crore including project aid of Taka 2488.49 crore has

been allocated for 408 foreign aided projects in the revised programme. This amounts to 79 per cent of the total revised allocations.

The revised ADP provides for 844 projects including 50 projects to be implemented at the cost of funds of the respective bodies. It has projects in place of 648 of the main programme and 102 in place of 89 projects of the annual technical aid programme comprised in the original ADP.

In the revised programme certain sector projects have been attached special importance and given additional allocations. These include Taka 15 crore for Tista barrage project and Kurigram and Ganges Kapotakkha rehabilitation project in the water resources sector Taka 10 crore in the transport sector, Taka 8.8 crore in physical planning, water supply and housing sector Taka 2.21 crore in population control sector and Taka 5.96 crore according to the president's commitment in sports and culture sector.

In addition to the above mentioned allocations, the revised programme provided for 4.96 lakh tons of foodgrains worth Taka 316.46 crore for distribution under Food for Work Programme in the current year. The original programme provided 4.5 tons of foodgrains for the programme.

According to the revised ADP the estimated rate of economic growth is 4.4 per cent. The estimated growth rate is 3.6 per cent in the electricity and gas sector, and 4.6 per cent in transport trade and other services sectors.

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CSO: 4600/1661

BEGUM ZIA SCORES INDUSTRY DENATIONALIZATION

Dhaka THE NEW NATION in English 23 Apr 87 pp 1, 8

[Text]

BNP chief Begum Khaleda Zia has urged the workers to resist denationalisation of basic industries including the proposed turning of the Power Development Board into holding companies.

Inaugurating the fourth national conference of the Jatiya Bidyut Sramik Federation at the WAPDA building premises yesterday, the BNP chief accused the government of 'systematically destroying the national economy.'

Begum Zia gave a resume of her party's programme initiated by late President Ziaur Rahman to make the country self-reliant. But his programme to harness the nation's resources and raise production was abandoned after the BNP government was replaced, she said.

She alleged that the change in government was carried out to turn the country into a market of foreign goods since, she said, those who usurped power systematically started handing over nationalised industries to individuals.

She further alleged that the government had no intention to promote development but only wanted to "plunder and destroy the national economy." The privatisation accelerated this process. She cited examples of closure of Mohini Mill in Kushtia and other industries in this connection.

Begum Zia said, "as industries were closed one after another, the workers were thrown out of job and the economy was burdened further. It was crushed under the impact of smuggling which even led to the collapse of the handloom sector."

Referring to the objectives of the war of independence, she said that the nation fought unitedly to defeat the occupation forces and not for the protection of interest of some individuals or groups. Urging all to unite and reinvigorate the movement for democracy, she also called for preserving the nationalised sector and at the same time promoting growth of private sector to stimulate the national economy through healthy competition.

Referring to the proposal for turning the Power Development Board (PDB) into holding company she alleged that it was aimed at handing over the vital power sector to individuals and asked every one to resist the move.

Begum Zia declared her solidarity with the power workers in their struggle to retain what she said the present character of the PDB. She also opposed handing over of PDB's systems to the Rural Electrification Board.

Calling for a strong movement against the government she

urged all to forge greater national unity for removal of the government. She urged all those having ties with the government directly or indirectly to join hands with the nationalist forces to restore democracy through constitutional movement and elections.

The BNP chief further said that the government was afraid of facing elections as it knew well who were actually enjoying people's confidence and trust.

She accused the government of pursuing foreign policy of appeasement.

Referring to the Farakka Barrage and construction of dams across 54 common rivers by India, she said these had been turning the country into a desert, especially the northern region. But she said, that the government was afraid of protesting all these because it was pursuing a weak foreign policy.

She said that the nation must come forward unitedly to protect its water resources.

The inaugural session was also addressed by Mr Abdus Salam Talukder, Mr Rafiqul Islam, Mr Nazrul Islam Khan, Mr Zafrul Hasan and Samyabadi Dal leader Mohammad Toaha.

Mr Toaha said that he and his party had snapped all ties with the Eight-Party Alliance as it had failed to achieve its objectives.

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CSO: 4600/1683

CHITTAGONG HILL TRIBES FORM BODY TO RESTORE PEACE

Dhaka THE BANGLADESH OBSERVER in English 23 Apr 87 p 1

[Text]

CHITTAGONG, Apr. 22:—The Marma and Tripura tribes in Chittagong Hill Tracts by and large fell apart from Chakma miscreants in order to lead a peaceful life. These two sects of tribes are seemingly more and more disillusioned of Chai propaganda of miscreants.

To these two tribal communities, the fabian policy of miscreants apparently bears no significance. The community leaders of these two tribes are rather now mobilising their fellow people to resist the heinous moves of two years to thwart the destabilisation moves of Chakma insurgents, said the Community leader Mr Jitendra Lal Tripura. The Tripura tribes have set up Tripura Upazila Kallan Sangsad (Tripura tribes welfare society) with Mr Barendra Kumar Tripura as chairman to restore peace similarly. Marma Tribe formed Marma Unnayan Sangsad (Marma developmen

society) that headed By Mr Ramra Chai Marma.

The programmes of these two Tribal bodies aimed at ameliorating the condition of fellow backward people so that they can live parallel to the plain land people. The two bodies have also been working to build up opinion against the disintegration policy of a handful of miscreants.

The Tribal bodies also work to inject the sense of Bangladesh nationalism.

Meanwhile, these two Tribal bodies have got sanction of Tk. 15 lakh in cash and allotment of two coasters from the Government. They also managed to have scholarship from the Government for the tribal students and have already achieved success in their drives.

This is manifested in the return of a number of Tripura and Marma tribals from across the Indian border recently.

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CSO: 4600/1662

CHITTAGONG TRIBAL LEADERS HINT AT SURRENDER

Dhaka THE NEW NATION in English 24 Apr 87 pp 1, 8

[Text]

CHITTAGONG, Apr 23 : The insurgent tribal leaders of Chittagong Hill Tracts (CHT) recently hinted that they were willing to surrender to the government upon fulfilment of certain preconditions advanced by them.

According to competent sources, their preconditions include nomination of mediators, selection of the venue and maintenance of their security by the insurgent organisation, Shantibahini, withdrawal of the members of the law-enforcing agencies from certain areas of CHT, assurance of withdrawal of cases against the Shantibahini men and release of all detained tribals including the militants.

Sources close to the Shantibahini leaders who are operating from their sanctuaries in Tripura and Mizoram in Indian territory said that they had closely watched the implementation of the official rehabilitation plan for the members of the Priti Kumar faction of the Shantibahini, who had surrendered in a large number with arms and ammunition under the leadership of self-styled Major Pior to the authorities at Rangamati stadium in April, 1985.

The sources alleged that the government had failed to rehabilitate most of the surrendered Shantibahini men as promised by it. Only 54 of them were provided jobs in different offices, some were enlisted as contractors and given works and the rest were passing a frustrated life.

Besides, the Shantibahini

wants change of mediators now conducting negotiations between the government and representatives.

The Shantibahini leaders willing to surrender have also demanded release of their six detained colleagues—Brindralal Chakma, Soehomoy Chakma, Glyan Bika Chakma, Ashis Chakma and Bagawan Chandra Chakma—who were arrested in different encounters before mass surrender of insurgents in April, 1985.

A former Shantibahini commander, who surrendered to the authorities told this correspondent at Rangamati recently that the breach of pledges by the government had left negative effect on the process of surrender by the fugitive tribals. Had the government kept its commitments in entirety, all Shantibahini men would have surrendered, he claimed.

An officer of the official counter-insurgency squad said that the Larma faction of insurgents now operating from the Indian territory had led down the government last year. It placed before the authorities certain preconditions for negotiation and accordingly, movement of official security forces was suspended and forces withdrawn at certain areas of CHT. But finally they betrayed the authorities by backing out from the proposed negotiation and killing 166 Bangalees in three border villages under Khagrachhari district in May last year.

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CSO: 4600/1664

LONDON SCHOOL'S QUESTIONNAIRE AROUSES SUSPICIONS

New Delhi PATRIOT in English 25 Apr 87 p 1

[Text]

The Government of India will have to sit up and take notice of a project initiated in the London School of Economics and Political Science which is trying to find out why the Indian military does not seize power in the country.

A questionnaire has been sent to retired military personnel in India to elicit the reasons why, in the midst of burgeoning dictatorships in Pakistan and Bangladesh, they have managed to show so much restraint.

It begins with the proposition: "Unlike the vast majority of armed forces of the 'developing' nations, India's military has a virtually unique record of non-interference in government. While her neighbours Pakistan and Bangladesh share histories of military actions and coups d'etat against their legitimate civil authorities, India's army, navy and air force have retained their respect for ultimate civil supremacy of government. What are the reasons for this restraint?"

The exercise is ostensibly meant to study the reasons which preclude the possibility of military intervention in India and it seeks a reply to: "After losing the election of 1977, some commentators felt that Indira Gandhi might call on the military to forcibly keep her in office. Did you feel that there were any members among the armed forces who would have obeyed such an order? If so, what kinds of people were they and how strong were their feelings on this matter?"

On the face of it, the questionnaire is an academic exercise but the questions are meant to elicit political answers from an in-

stitution which the Government of India has sought to keep apolitical.

Many of the questions are similar to what serving Indian military officers have privately disclosed have been put to them by western diplomats who have wanted to know why in the midst of the mushroom growth of military dictatorships in former colonies, the Indian military has continued to subscribe to the concept of supremacy of civil in the political scheme of things.

It asks: "Did you feel that the political leadership was properly prepared for independence? Why or why not?" Ditto for the civil service and the armed forces.

Apart from this it seeks strategic information about Indian defence doctrine when it asks for the Indian military advice on the question whether India should develop its own nuclear weapon.

On Punjab the questions are so framed that there can only be one answer — the culpability of the Central Government — even when the answer is "none at all" and that it was simply responding to events outside its control.

It is followed by: "Was army action in Amritsar absolutely necessary?"

It concludes with: "What do you think are the reasons for India remaining virtually the only nation in the developing world never to have experienced a military takeover of government? How long do you think India will enjoy this state of affairs?"

There is a possibility that the questionnaire has been posted to serving military personnel as well.

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CSO: 4600/1690

INDIAN DELEGATE ADDRESSES PALESTINIAN MEETING

New Delhi PATRIOT in English 27 Apr 87 p 7

[Text]

Algiers, April 26 (PTI) — India yesterday pledged its support to the cause of Palestinians struggling to establish an independent homeland and supported the convening of an international conference on West Asia to settle the problem peacefully.

Stating this at the 18th session of the Palestine National Council (PNC) here, Union Minister for Water Resources B Shankaranand also urged an Israeli withdrawal from occupied territories and expressed opposition to any attempts to alter the demographic, religious or cultural character of the occupied areas.

Mr Shankaranand's speech was warmly greeted by the members and observers of the Palestinian parliament in exile. PLO chairman Yasser Arafat rose from his seat and walked up to the stage to hug the Indian minister after he had completed his speech.

Earlier, Mr Shankaranand, who arrived here on Thursday, had separate meetings with Mr Arafat, his deputy commander-in-chief, Abu Jihad, and the head of the political department, Faroukh Kaddoumi.

The Palestinian leaders informed the minister about the deliberations of the 'historic session' and expressed appreciation of India's support to their cause.

The PLO yesterday pledged to work for Arab solidarity and to continue all forms of struggle against 'zionism' and support the idea of convening an international conference on West Asia.

The political report delivered to the concluding session of the 18th session of the Palestine National Council (PNC) — the parliament-in-exile — said the PLO would pursue a policy that would help achieve "the national objective of liberating occupied territories and establishing an independent state with Jerusalem as its capital".

On the controversial issue of relations with Egypt, Jordan and Syria, the report said PLO's ties with all states would be governed by resolution of the Arab summits and acceptance of the right of Palestinians to an independent homeland and independent representation at international negotiations.

The meeting here ended early today with a vote by the newly-united movement for veteran leader Yasser Arafat as the head of the PLO.

/9274

CSO: 4600/1695

GANDHI DISCUSSES CRITERIA FOR PRESIDENTIAL CANDIDATE

Madras THE HINDU in English 25 Apr 87 p 1

[Text]

NEW DELHI, April 24.

What was described as the "pre-preliminary" round consultations on the choice of the Presidential candidate began today when the Prime Minister, Mr. Rajiv Gandhi, invited two CPI (M) MPs in a bid to probe their party's thinking. The two MPs were: Mr. Basudev Acharya, CPI (M) leader in the Lok Sabha, and Mr. Samar Mukherjee, Rajya Sabha member.

The meeting was significant because of the criteria the Prime Minister had in mind for the Presidential candidate—which were broadly mentioned during the discussions. Mr. Gandhi expressed his preference for a nationally-known person, commanding the respect of all the communities, with a democratic and left-of-the-centre image. Then there was a reference to the regional factor, the implication being that the top positions be distributed between the two main regions, the north and the south.

While no names were mentioned, Mr. Gandhi made it clear that the Congress (I) had yet to make up its mind and that press reports on the subject were based on conjectures. He would consult the Opposition in the last week of May, on the issues connected with the choice of the Presidential candidate, it was stated.

As Mr. Acharya said later, the criteria mentioned by the Prime Minister pointed to the Congress (I)'s preference for the Vice-President, Mr. R. Venkataraman. This impression tallied with the earlier indications that Mr. Gandhi would, on the first instance, sound the left opposition on Mr. Venkataraman's candidature.

The two CPI (M) MPs, however, felt it was too early to talk of the choice of Presidential candidate. The term of the present incumbent ends on July 25 and the election process will be gone through on the first half of the month.

Timing of meeting: The timing of Mr. Gandhi's

meeting with the CPI (M) MPs did not go unnoticed. He called them on the eve of tomorrow's conference of the non-Congress (I) Chief Ministers where Mr. Jyoti Basu, West Bengal Chief Minister, was expected to play a leading role. The only item on the agenda was Centre-State relations, but, informally, they were expected to discuss the modalities for evolving a joint strategy for the Presidential election. They will, probably, fix a date for a meeting of the representatives of all the non-Congress (I) parties.

Two days ago, Mr. Somnath Chatterji, senior CPI (M) member of the Lok Sabha, called on the President, Mr. Zail Singh. The meeting triggered speculation that Mr. Zail Singh was feeling the political ground for a possible end for a second term.

The time-table of the Presidential election was yet to be announced. The process had to be completed well before July 25. Last time, the polling took place on July 12, 1982. The election process began on June 9, with a formal notification and the last date for nominations was June 23.

The Prime Minister is due to visit Moscow on July 3, for the inauguration of the Festival of India in the Soviet Union. The Indian Government has told the Soviet authorities that he has to back here on July 4, for an unavoidably urgent engagement. Whether and, if so, in what way will it be connected with the Presidential election is not clear.

/9274

CSO: 4600/1693

AKALI DAL MEMO ON PRESIDENT'S RULE REPORTED

Bombay THE TIMES OF INDIA in English 26 Apr 87 p 9

[Text]

CHANDIGARH, April 25.

THE ruling Akali Dal memorandum, submitted to the Sarkaria commission, has called for, among other things, scrapping of constitutional provisions empowering the Centre to impose president's rule in the states.

Stating that such constitutional provisions "should have no place in a federal framework," the Akali Dal memorandum has suggested holding of fresh elections without delay in the event of "constitutional breakdown" in a state.

The memorandum said: "If there is no provision for the President to take over the Central government in the event of failure of constitutional processes, there is no justification for the presidential powers when a similar contingency arises in a state."

The Akali Dal memorandum, and also a more exhaustive one formulated by the state government, was submitted to the Sarkaria commission in New Delhi yesterday.

The Punjab government memorandum observed that a "non-partisan" administration in a state under governor's rule comes to be commonly regarded more as a device adopted by the centre to get rid of a state government run by a rival political party than as a "weapon of last resort" to be deployed in the event of a grave situation of a constitutional breakdown in a state.

"Its frequent use is generally attributed to the abuse of this device for narrow party ends," said the official memorandum.

The 230-page memorandum is based on a draft formulated by a nine-member committee headed by Dr K. S. Gill of the state planning board. The contents of the draft were made public last month in the Punjab assembly.

The independent member, who wanted a copy of the draft memorandum

to be laid on the table of the house, had asked the chief minister whether the Anandpur Sahib resolution had been referred to the Sarkaria commission.

Mr Barnala replied that a separate memorandum formulated by the Akali Dal took into account various Centre-states issues raised in the Anandpur Sahib resolution.

The Akali Dal memorandum sought to put forward the party's case on the Centre-state relationship as envisaged in the Anandpur Sahib resolution. This resolution, adopted by the Akali Dal in 1978, made a plea for "stronger states and for corporate identities of different communities" and endorsed the "principle of state autonomy in keeping with the concept of federation."

The state government memorandum discussed in considerable detail various aspects of the Centre-state relations, constitutional, legislative, administrative, financial and also issues pertaining to the planning processes, the constraints on the state's legislative autonomy and the role of the governor.

The Akali Dal memorandum, on the other hand, confined itself to "detailing the reasons" for the acceptance of the Anandpur Sahib resolution, which had already been submitted to the Sarkaria commission.

By way of concretising the Anandpur Sahib resolution, the party memorandum proposed as many as 14 "definitive" measures. They included incorporating the term "federal" in the democratic system and also to "halt the gradual drift towards a unitarian set-up".

Among other proposed measures was re-distribution of the subjects covered under the Union, concurrent and the state lists on the basis of federal principles as proposed by the Anandpur Sahib resolution. The state legislature should have the exclusive

powers and competence to legislate on matters figuring the re-drawn states' list.

On the role of the governor, the party memorandum said the institution of governor, his powers and functions should be inconsonance with "a federal polity so that the governor does not remain an executive agent of the Centre but becomes a truly constitutional head of the state."

The Akali government memorandum called for constitutional safeguards to ensure that the office of governor was kept free from any political controversy. Instances of partisan conduct by some governors in violation of the spirit of the Constitution had been a factor causing widespread misgivings in some quarters.

Referring to the practice of the governors sending fortnightly reports to the President, the memorandum said the governor should not act as if he were a "supervisor" appointed by the ruling party at the Centre to keep a wary eye on the state. He could make available a copy of this report to the chief minister, if only to assure the chief minister that "nothing is being cooked behind his back".

If any lapses on the part of the state government were brought to the notice of the governor, he should take up the matter with the chief minister "rather than acting as a CBI official and shooting off a report to the President".

The memorandum referred to the reorganisation of the states on a linguistic basis and said they represented "deliberately re-organised homelands of different linguistic-cultural groups, which are, in fact, growing in distinct nationalities".

Stating this to be "a very healthy development, provided it is handled correctly," the memorandum described nationality as "a secular concept," embracing all those speaking a given language, irrespective of their religion, caste and beliefs, "indeed, all those who share the sense of common and distinct identity".

The memorandum spoke of "the absence of a principled application of the linguistic criterion in determining Punjab's boundaries.

"The grudging, half-hearted and far-from-principled application of the linguistic criterion has been the sources of immense trouble in this part of the country," said the memorandum.

The memorandum added that powerful social forces were working for a highly centralised unitary state and there were "zealous Hindu-Hindi-Hind chauvinists" seeking to impose their religious, linguistic and political domination over the entire country, "riding roughshod" over the aspirations of the "emerging distinct nationalities as well as of the long existing ethnic, religious and cultural minorities".

/9274

CSO: 4600/1691

ANALYST SAYS COMMUNISTS REMAIN HOSTILE TO GANDHI

Bombay THE TIMES OF INDIA in English 25 Apr 87 p 9

[Article by Bharat Bhushan]

[Text]

THE resolution passed by the Congress working committee (CWC) on April 18 was seen by many political observers as, among other things, an attempt by the Rajiv Gandhi government to woo the left. However, it is becoming increasingly clear that the two communist parties are not willing to play ball.

Both the Communist Party of India (Marxist) and the CPI are refusing to buy the proposition that forces of destabilisation — both external and internal — are responsible for the mess that the government finds itself in. And they also do not accept that the CWC resolution represents a policy shift to the left.

It would have been naive to think that the clinched and worn-out left sounding phrases of 1969 and 1975 would be acceptable currency to the communist parties today. At a time when the CPM is in the ascendant — and that too on a predominantly anti-Congress platform — it cannot be expected to throw its electoral, and to some extent ideological, gains to the winds for the sake of socialist phrasemongering by a party with doubtful credibility in these matters.

The CPI burnt its fingers during the emergency and after the Bhatinda Congress of 1978 it has been engaged in a process of disentanglement from the Congress. By putting Mr Mohit Sen, described by some as "the last of the Dangeist rearguard," in the dog-house, the CPI too has made its position fairly clear, (i.e.) that they are not likely to change course mid-stream.

CRITICAL PERIODS

Nor is the Congress the same as it was in 1969 or even in 1975. At least during those two critical periods, es-

pecially in the first, there was an attempt to identify and name the "vested interests" or the forces of "right reaction" that were seen to be working against the policies of the then government. But in the present context these labels are being used without any attempt at specificity.

Despite the renewed talk of the resolve of the Congress to work for the "alleviation of the suffering of the under-privileged" the communist parties are not buying this rhetoric. In 1969, such rhetoric was matched by populist moves like abolition of privy purses and bank nationalisation.

And in 1975 significant sections of the left did not think that the talk of "garibi hatao" and the 20-point programme would turn out to be as vacuous as it subsequently did. Today, however, the various anti-poverty programmes remain exposed. The Congress under Mr Rajiv Gandhi has

News Analysis

neither shown the desire nor even the ability to strike at the roots of local and regional vested interests in the country.

Although neither communist party can deny, or even denies, the presence of destabilisers — both external and internal — they are unlikely to see either the Fairfax inquiry, the submarine deal with West Germany or even the Swedish radio report as an imperialist conspiracy.

FOREIGN POLICY

And such a position has more to do with the dim view in which both the parties hold the ruling party than their championing the cause of Mr V. P. Singh or with the objective presence of

the forces hostile to the interests of India. Indeed, the communist parties can have little objection to the foreign policy that the government is following.

But the destabilisation thesis is seen by them as a diversionary tactic. Some communist leaders even go to the extent of asking cynically: "Does this government really need any outside help for destabilisation when it is in fact its own biggest destabiliser?" Their contention is that if the "imperialist" forces take advantage of such a situation then this cannot be seen as the result of a conspiracy.

To understand their cynicism it is necessary to examine the compulsions within the parties that push them towards adopting a confrontationist posture with respect to the Rajiv Gandhi government. While the CPM has always been opposed to the Congress, even the CPI is going the same way. And it is not merely under the pressure of the CPM or the need for left-unity that it is doing so.

It is doing so because along with the CPM it remains opposed to the very core of the policies that the Congress under Mr Gandhi has been following. They see it as having started out by adopting pro-U.S. positions and remaining unstable with respect to the U.S. and the U.S.S.R. ever since.

FORCED NECESSITY

If today its foreign policy stances are progressive, they also see them as a necessity forced on the government by the external correlation of forces. These are stances that, in their analysis, any government in power in India would have had to adopt in the interests of the nation.

They thus see the reluctant anti-Americanism of Mr Rajiv Gandhi for what it is — not an aggressive stand with a sound ideological base but something that has been thrust upon him by external contingencies. It is a defensive posture which is also seen to be reflected in the attempts of the government to "defend" non-alignment while what the communist parties would like it to do is the strengthen it.

If anti-Americanism and anti-imperialism is basic to their notion of socialism, it is equally important for the communist parties to defend the public sector and take anti-monopoly and anti-big business stands. But given the domestic policies of the government, even that has not been possible.

Indeed, their essential hostility to the Congress is also the result of what they see as its primarily right-wing economic policies and its insensitivity to the sentiments of the "broad masses".

It was under Mr Rajiv Gandhi, that the anti-worker phraseology of industrial sociologists gained common cur-

rency, and the blame for the backwardness of Indian industry began to be laid squarely on the low productivity of the workers.

In the name of "the march to the twentyfirst century" the economy was opened up to foreign multinationals as never before. The reliance on foreign technology increased as did concessions to big business, they argue.

Simultaneously, denigration of the public sector took place to such an extent that today its very future seems to be in doubt. And this the communist parties can ill afford to ignore.

They came increasingly under pressure from the unions to defend this sector and keep up the pressure on the government not to attempt its "privatisation". Indeed on January 21, they had to call a nationwide token strike to draw attention to the government's policy of attacking the public sector and undermining its importance.

That the communist trade unions were losing membership to the Congress-led unions in this sector put additional pressure on the parties to be publicly seen as championing the cause of this orphaned sector of the economy. In undermining the role of the public sector, along with his cabinet minister, Mr Rajiv Gandhi himself has kept the pressure on the communists.

The essential hostility of the communists to the ruling party has only been fueled up the vicious campaign against them and their so-called "cade raj" during the West Bengal elections. Nor can they easily ignore how Mr Rajiv Gandhi kept the left-front government under pressure using various means including going to the extent of playing parlour games with Mr Subash Gheising.

Similarly the talk of keeping the forces of "right reaction" and communalism at bay is not going to go down well with them because of the alliance of the Congress with the Muslim League in Kerala.

Thus there is virtually nothing in the policies of the ruling party that can be considered essential to the notion of socialism as the communist parties see it. They cannot therefore reasonably be expected to give up their opposition to the Congress.

That the left bought Nehru's socialist rhetoric may also be because they know that at one level Nehru did see Marxism as a progressive and ascendant ideology.

Mrs Indira Gandhi even if she did not understand Marxism, certainly knew how to make use of the communists and their phraseology of social justice for her own brand of populist politics. But the communists are unlikely to lend ideological support to Mr Rajiv Gandhi because they see him as not only being deeply prejudiced against them but also being afraid of following populist policies.

PUNJAB POLICE CHIEF COMPLAINS OF CABINET INTERFERENCE

Bombay THE TIMES OF INDIA in English 19 Apr 87 p. 1

[Text]

CHANDIGARH, April 18
(UNI).

THE Punjab director-general of police, Mr J. F. Ribeiro, today took exception to a Punjab cabinet minister allegedly interfering in the functioning of the police and said this has adversely affected the campaign against terrorism.

In an interview with UNI, the police chief alleged that the minister had telephoned district police officials of Hoshiarpur and Ropar districts to seek the release of persons arrested for direct involvement in terrorist crime. He said the police had successfully resisted these pressures.

Mr Ribeiro also took exception to the delayed extradition of a Canadian national of Indian origin who was wanted by the Royal Canadian Mounted Police and was illegally staying in Punjab. The delay was due to "political pressure." He had to intervene to see that the wanted person was arrested and handed over to the Canadian authorities.

Mr Ribeiro said the police had made a breakthrough in curbing terrorist activities and prevented a number of possible killings by arresting three terrorists in Jalandhar district. A medium machine gun, two light machine guns, sten-guns and a large quantity of ammunition besides Rs. 13.50 lakh in cash, which was part of the Rs. 5.70 crore looted from a Reserve Bank chest in Ludhiana were recovered.

He said the gang which was apprehended had been given Rs. 20 lakhs out of the loot for purchase of these

modern arms from the international market.

He said all these weapons required the same type of ammunition so that the terrorists did not have to run to different sources for different types of ammunition.

He disclosed that terrorist gangs had paid Rs. 25,000 for each of the sten-guns and a much higher price for the medium machine gun.

Mr Ribeiro did not rule out the possibility of a much bigger consignment of modern arms and ammunition having been smuggled out by terrorists.

He said the chances of a sizable part of the robbed amount having been sent across the border for purchase of weapons could not be ruled out.

He said this apprehension was confirmed from the fact that the ammunition used in the killings of the family of a police head constable last week was of the same calibre as the one recovered by the Jalandhar police.

Mr Ribeiro said the supply of these arms had been arranged by a notorious arms smuggler of Faridkot district known as Nila. He said the police had launched a hunt for him.

The arms were sent through Pakistan and the name of the manufacturing country were erased. But on some arms, words in Urdu were found inscribed giving a clue to the country of origin. One of the sten-guns carried the name of Lal Mohammad.

Mr Ribeiro said that the Akal Takht Jathedar, Darshan Singh, had deputed five terrorists wielding sten-guns to

guard Mr Sunil Dutt, MP, when he reached the Golden Temple complex on April 14.

He said the five-member gang which threw a cordon around Mr Dutt was carrying sten-guns under cover. The gang was led by Malkiat Singh alias Deepamora, a wanted terrorist.

Mr Ribeiro said the police had achieved major successes in Kapurthala, Hoshiarpur, Jalandhar and Ludhiana districts by arresting a large number of terrorists who were involved in killings as well as burning of liquor vends and cigarette kiosks.

'DEPLOY ARMY': The Akali Dal (Pheruman) president, Mahant Sewadass Singh, today urged the government to deploy the army in Gurdaspur, Amritsar, Ferozepur and Faridkot districts to check the increasing lawlessness due to terrorist activities.

In a statement, he said terrorism would make it difficult for Hindus and Sikhs alike to live in Punjab. He warned that the present wave of terrorism would lead to disintegration of the country.

He said Punjab should be reorganised on the basis of language and the Punjab accord should be implemented without any further delay.

He also demanded fresh elections to the Shiromani Gurdwara Prabandhak Committee which had outlived its term in 1984. Fresh elections to the SGPC should be preceded by an amendment in the SGPC Act to allow clean-shaven Sikhs to vote in the elections, he said.

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CSO: 5650/0121

PARLIAMENT DISCUSSES HOWITZER, SUBMARINE ACQUISITION

Bombay THE TIMES OF INDIA in English 25 Apr 87 p 1

[Text]

NEW DELHI, April 24.

THE minister of state for defence production, Mr Shivraj Patil, asserted in the Lok Sabha today that India would soon be producing the 155-MM Swedish Howitzers.

He, however, did not specifically reply to a query by Mr Indrajit Gupta whether all the terms for technology transfer in the deal had been tied up.

Questions were asked in the house during the resumed debate on demands for the defence ministry regarding whether the Rs. 1,427-crore deal included the technology transfer clause and, as the CPI leader put it, whether "there are going to be separate negotiations for another commercial deal."

Besides keeping this issue vague, Mr Patil did not reply to the points made by Mr K. P. Unnikrishnan about the performance of the gun in trials. According to the Congress-S member, the evaluation report on trials showed that the gun did not come up to the stipulated performance level.

The minister informed the house that six new defence factories costing about Rs. 1,800 crores would be set up in the near future. One of these fac-

ories would manufacture the Swedish gun.

Mr Patil also informed the house that the T572 tanks and BMPs (infantry combat vehicles of Soviet origin) would start rolling out of production lines in three to four months.

Mr Indrajit Gupta also brought up the West German submarine deal and said presumably the government had dropped the idea of assembling them at Mazagon Dock. The whole idea appeared to boil down to buying two submarines, assembling two more at the dock and dropping two altogether.

"If only two submarines are to be assembled at Mazagon now, how much money has been spent on the docks for this purpose," Mr Gupta asked.

The CPI leader said the controversy over middlemen, agents and kickbacks would not come to an end soon. He felt "very strongly" that this aspect of the defence deals merited a parliamentary probe, since honest intentions of the government was not enough to eliminate them.

The middlemen and agents, he pointed out, had clandestine operations with their offices in five-star hotels or residences in posh areas. These could not be countered by good intentions. The complexities of their

modalities had been brought out by the public accounts committee headed by the late CPM member, Mr Jyotirmoy Bosu in 1979.

Mr Shivraj Patil informed the house that of the six new defence factories to be set up one will produce a new generation T.272 tank at Avadi in Tamil Nadu and another will manufacture a new generation BMP at Medak in Andhra Pradesh. Two others will produce night vision equipment and propellant. The minister did not reveal what the sixth unit to be set up at Bolangir will produce.

Mr Patil noted that two members, Mr H. M. Patel and Mr Suresh Karup, had taken extreme positions in the issue of involving the private sector in the manufacture of low-technology defence items. He commended the "middle approach". He felt that involvement of the private sector would help in acquiring self-reliance. The public sector units would concentrate on high-technology items.

Mr Shyam Lal Yadav (Cong) said arms sales was a profitable business as well as a source of corruption. The government should be careful from whom it buys its defence requirements. "We should buy our requirements from only friendly countries."

/9274

CSO: 4600/1694

DEFENSE R&D INSURES INDEPENDENT MISSILE DEVELOPMENT

Bombay THE TIMES OF INDIA in English 27 Apr 87 p 1

[Article by L. K. Sharma]

[Text]

NEW DELHI, April 26.

INDIA will remain unaffected by the U.S. move to form a cartel for preventing developing countries from acquiring capability to build intermediate range ballistic missiles.

India is not critically dependent on external assistance in this field. Contrary to an impression in Washington, India neither sought nor secured any Soviet help in developing rocket fuel or rocket guidance system.

India has a missile development programme based on indigenous effort. And for an intermediate range ballistic missile, it has only to close a few gaps in the guidance technology.

The defence-related R and D activity in this field is quite distinct from the civilian space programme. The Defence Research and Development Organisation (DRDO) has done considerable work on high-thrust liquid and solid propellant rocket motors, command guidance, semi-active homing, inertial guidance, aerodynamic control and thrust vector control.

Defence scientists have maintained that the use of any of the stages of SLV-3 would involve major design modifications and that a separate development from the scratch is more advisable. They have tested a powerful liquid-fuel rocket motor, while commanding considerable experience in solid propellant.

The integrated-guided missiles development programme now has a new research facility and among the successful developments in the smaller missiles range is that related to a medium-range two-stage semi-active homing surface-to-air missile which employs a fast-burning solid propellant booster stage with cruciform fins and a liquid-fuel second stage employing thrust vector control.

The other development programmes include a 10-km range third generation laser-guided anti-tank weapon and a self-propelled, quick-reaction, low-level surface-to-air missile in the Rapier category.

Considerable progress has been made towards setting up the interim-range facility at Chandipore, but the plan for the national range project at Balasore in Orissa continues to face difficulties because of problems related to land acquisition.

The R and D effort in some other areas of defence has come to fruition stage, making the country self-reliant in sensitive systems and saving large amounts of foreign exchange.

Technology of the Indra-I — a low-level radar — has been transferred to Bharat Electronics Ltd. which will start its production in a phased manner. Three such systems will be produced next year.

A unique feature of the project is the short time gap between the development and user evaluation and ordering of the equipment. The development of an improved version of this low-level surveillance radar is nearing completion.

The system was accepted by the army and the air force on the grounds of sophistication of technology and not just because of the economy of indigenous production. In any case, it would not have been easy to obtain a comparable system from abroad on a technology-transfer basis.

It took the defence R & D establishment long to develop the system, but ultimately it was possible to overcome all snags, including a let-down by a foreign sub-contractor.

One of the latest reports of the Public Accounts Committee has noted with satisfaction the excellent technical achievement of the DRDO. The chief of air staff confirmed that the radar tried by the air force is superior to any of the systems that the air force had

considered for acquiring from abroad.

The committee also noted the positive response of the chief of the army staff to this radar and said that production orders worth Rs. 400 crores have already been placed on BEL for the first two versions of the equipment.

Another heartening report on defence R & D came from the sandy Indo-Pakistan border in Rajasthan, as trials during the exercise, brassacks, confirmed the performance of the Army Radio Engineers Network (AREN).

This system, the result of long-term planning during the '70s with an emphasis on self-reliance by the electronics department, provides ground forces with secure computerised area grid communication system connecting all parts of the country.

At the heart of AREN is a truck-mounted sheltered automatic electronic switch, a stored programme controlled time-division-multiplex trunk exchange, providing switching facilities for 192 digitised voice channels, 256 teleprinter channels and 32 computer data channels.

The AREN system includes HF and VHF radios at various command levels, microprocessor-controlled radio relay systems, mobile analogue and digital troposcatter systems and modular time-division electronic exchanges for forward areas.

However, a crucial component of this network, the radio trunk system, remains to be developed. This technology is to be acquired either from France or Britain, but in the absence of a speedy decision-making process the deal has been hanging fire for quite some time.

Earlier, the French were keen to sell this sub-system, but when they got a big order from the U.S. they turned lukewarm towards the Indian requirement. The only other source is Britain, but no serious negotiations have taken place in this regard.

NORTHEAST REGIONAL PARTY LEADERS MEET IN GUWAHATI

New Delhi PATRIOT in English 24 Apr 87 p 1

[Text]

Guwahati, April 23 (UNI)—The seven regional parties of north eastern region today emphasised the need for inner-line restrictions to prevent 'outsiders' from entering into the whole region.

The regional parties at their joint meeting presided over by Assam Chief Minister Prafulla Kumar Mahanta, adopted a resolution expressing great concern at the 'unabated large-scale influx of outsiders' and their swamping the small nationalities which "adversely affected the economic, social and political life and hampered the development and progress of the entire region".

Later addressing newsmen the leaders of the parties urged the Centre to take immediate steps to prevent infiltration from across the international border and emphasised the need for having inner-line restrictions.

The parties represented at the meeting were: The Mizo National Front (MNF), the ruling Asom Gana Parishad (AGP) of Assam, the Hills People Union (HPU) of Meghalaya, the Peoples Party of Arunachal Pradesh (PPA), the Manipur Peoples Party (MPP), the Tripura Upjati Yuva Samati. The Naga National Democratic Party informed its inability to attend today's meeting because of by-election in Dimonur constituency in

Nagaland.

The meeting felt the need for a suitable legislation to prevent transfer and acquisition of land and restrict the business and employment opportunity of the 'outsiders' in the entire region besides extending the purview of Articles 371 (A) of the Constitution to all concerned States.

The meeting also constituted an executive committee of the regional parties with Assam Chief Minister Prafulla Kumar Mahanta as chairman. The other members of the committee included Mizoram Chief Minister Laldenga, opposition leader of Meghalaya Assembly B B Lyngdoh,

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CSO: 4600/1692

KARNATAKA CHIEF MINISTER RESHUFFLES CABINET

New Delhi PATRIOT in English 27 Apr 87 p 1

[Excerpt]

Bangalore, April 26

In a major reshuffle and expansion of the ministry, Karnataka Chief Minister Ramakrishna Hegde today inducted 12 Cabinet Ministers and 12 Ministers of State taking the ministry's strength to 35 from the present 15.

Though the exercise took the Chief Minister almost a month to arrive at the final list, it immediately sparked a crisis in the ruling party with one secretary, M S Narayana Rao and one vice-president Vishwanath Reddy Mudnal, tendering their resignations in protest against the selection of new entrants.

Among the 24 new ministers inducted today there are 11 new faces while 13 old ministers who were dropped last June were reinducted. These included State Janata chief M Chandra Shekar and Legislative Council chairman R B Potdar.

Mr Hegde dropped four Cabinet ministers. These are Education Minister D Manjunath, Health and Excise Minister H T Krishnappa, Forest Minister J S Deshmukh and Sericulture Minister K M Krishna Reddy.

Those reinducted are: M Raghupathy, M P Prakash, Dr Jeevraj Alva, P G R Sindhia, R V Deshpande, B A Jivijaya and S Siddaramaiah.

They all have been elevated to the Cabinet rank.

Among the new entrants Legislative Council chairman R B Potdar, K N Muniyappa (a former journalist), S K Kanta and H Ekantiah were all inducted as Cabinet Ministers.

Among the Ministers of State Ramesh C Jigajinagi, D B Inamdar, Y K Ramaiah, Amarnath Shetty and B Somashekar were dropped in June last have been reinducted. The seven new Ministers of State are: K B Mallappa, G S Bagalkot, Laxminarsimhaiah, B L Shankar, K Krishnamurthy, Mohd Moiuddin and Mrs. Shivakantha Chature.

Laxminarsimhaiah was the Deputy Speaker of the Assembly. For the first time a Muslim MLA has been inducted into the ministry. Earlier Rural Development Minister Abdul Nazir Sab was the only Minister who belongs to the upper House.

Two of the Ministers of State G S Bagalkot and Mrs Shivakantha Chature were not present at the swearing-in ceremony today. They are likely to take oath of office tomorrow.

After an informal Cabinet meeting, Mr Hegde told newsmen that he had done his best to give representation to all the districts, communities and castes on the basis of "social justice"

and other considerations.

However, he admitted that it was not a "very pleasant process" and despite his best efforts "a few aspirants might have been disappointed".

Mr Hegde also admitted that Mr Narayan Rao had sent his resignation from party post but he had not received the resignation of Mr Mudnal as yet.

He said though he has inducted only one woman into the Cabinet other women MLAs and party workers have demanded more representation to women.

Mr Hegde said "besides giving representation to all the sections, the criteria he adopted was "experience, youth and wisdom".

/9274

CSO: 4600/1695

REPORTAGE ON MEETING OF NON-CONGRESS CHIEF MINISTERS

Basu Note on Economic Situation

Madras THE HINDU in English 27 Apr 87 p 9

[Text]

NEW DELHI, April 26.

The entire approach of the Congress(I) and the Centre towards production and pricing "has been away from the aspirations of the vast majority of the common people," the West Bengal Chief Minister, Mr. Jyoti Basu, said in a comprehensive note on the economic situation circulated at the meeting of six non-Congress(I) Chief Ministers here yesterday.

There was "an inherent tendency in this approach to shut out the people from democratic participation in the process of planning, and to centralise economic powers and the power of decision making in the hands of the Central Government."

People feel left out: Describing this as "an expression of this inherent overall centralising tendency," Mr. Basu said: "When such attempts are made to concentrate powers in the hands of the Central Government, the common people in different States tend to lose the feeling of participation in the process of planning."

"When this feeling is lost and also the problem of unemployment, because of the wrong choice of strategy, is aggravated, divisive forces, in the name of religious fanaticism, casteism, obscurantism get encouragement, threatening the basis of unity and integrity of our country. We have to oppose all these divisive forces in unequivocal terms. We have to build a strong and united India. For this, the economic base of each of the States has to be strengthened. Then only can India—the Centre and the States together—remain powerful."

Losing faith: Mr. Basu set the tone for deliberations at the conference with an introductory reference to the "very special political situation in our country" created by the recent State Assembly elections. The results (in Kerala and West Bengal) clearly indicated that the common people were losing faith in the Congress(I). The problems of inequality, unemployment and inflation had become more acute, and divisive forces had raised their heads.

Observing that the people "are anxiously looking for an alternative economic-social programme which can provide some relief in relation to these problems," his note said: "The basic issue before us—the non-Congress(I) State Governments and the corresponding political parties—is, therefore, not simply one of an electoral alliance."

"If we think only in terms of an electoral alliance, the credibility of the political parties may be lost before the common people. The basic issue is one of coming together in terms of a common economic-social programme to safeguard the interests of the common people and national unity."

Land reforms ignored: According to the note, the "basic anti-people characteristics of the Congress(I) programme" were reflected in the continuation and accentuation of the unequal distribution of land in agriculture and capital in industry. Land reforms were ignored and production had come to be viewed in the interest of the landed gentry. Technology had been made increasingly capital intensive. As a result, the absorption of labour in production was inadequate, and generation of purchasing power insufficient.

The result was paradoxical: on the one hand the foodgrain stocks had mounted to 30 million tonnes and, on the other, due to the inadequate absorption of rural labour in the production structure, a significant number of households were below the poverty line.

"Confronted with this situation," said Mr. Basu, "we had strongly urged in the meeting on the Seventh Plan of the National Development Council that a significant increase in the use of this stock of foodgrains be made both for rural and urban employment programmes. But our appeal was in vain."

Concentrated in a few hands: The inadequacy of purchasing power in the hands of the people had impinged on the growth of industries. The ownership of industrial capital had been allowed to remain in the hands of a few.

The formulation of the Seventh Plan, relaxation of controls over the growth of monopolies and the Long term Fiscal Policy were all indicative of the continuation of this concentration.

Even the inadequate purchasing power had been eroded by continuing inflation. The deliberate increase of administered prices of essential raw materials—coal, steel and petroleum products—and also food items had significantly fuelled inflation.

Industrial strategy skewed: Confronted with the problem of insufficient purchasing power and the limitations of the domestic market, industries were trying to tilt the product-mix away from mass consumption goods towards items for the affluent sections. "But since this sphere of the market is itself restricted, the eventual tendency is to seek salvation through exports, ignoring vast sections of the domestic population."

Exports had not picked up, but the compulsions of capital and import intensive industries were threatening to push up imports on a massive scale. "This entire strategy therefore has an inherent danger of taking the country into an international debt trap. This amounts to a significant deviation from the goal of self-reliance."

The note also referred to policy shifts on the role of the public sector. Public enterprises, especially those in the infrastructural sector, were helpful factors in industrial and agricultural activities. The policy should have been expansion rather than the "relative contraction of its scope."

It recognised the important role the private sector would have to play, but "we cannot agree to its growth, particularly in the sphere of the 'commanding heights' of the economy, at the expense of the public sector."

Basis of the alternative approach: Mr. Basu said that within the limitations of the existing socio-economic structure, the alternative approach was based on the re-ordering, to whatever extent possible, of the existing distribution of production assets in agriculture and industry towards a more equal situation.

In the agricultural sphere, the cornerstone was land reform and supporting facilities like irrigation, implements, credit and marketing. With the generation of purchasing power in the rural areas, the basis would be laid for expansion of industries producing mass consumption goods. Social control would be necessary over the marketing and distribution of essential commodities.

The alternative approach to production planning, because of its better identification with the common people's aspirations, could be decentralised in an organised manner from the grassroot level. "In this alternative approach, rendering of the Centre-State relationship in favour of decentralisation is a logical necessity. A general agreement among us on this re-

ordering was reached at the Srinagar conference (October 1983). We should reiterate that agreement."

Disquieting development: The note said it was disquieting that, while the Sarkaria Commission was still working on the basic problems of Centre-State relations, unilateral decisions were being taken by the Centre to centralise resources further in its hands. Periodic increases in the administered prices of essential commodities instead of adjusting excise duties were a glaring example. The proceeds from excise duties had to be shared with the States, but by not adjusting excise duties, the Centre had deprived the States of thousands of crores of rupees of revenue. "We strongly suggest that the Centre be asked to share 40 per cent of the extra resources raised through any such increase in administered prices, in line with the sharing principle of excise duties."

The note referred to the Centre's unilateral revision of interest rates for bank deposits, making them more attractive than small savings, which were related to the resources of the States. "If, as a result of this unilateral decision of the Centre, there is any fall in the resources of the States, we strongly suggest that there should be corresponding compensation by the Centre for each of the affected States."

Interaction needed: Mr. Basu also emphasised the need for interaction between States and the banking sector. The States should have some right to offer advice on the deployment of loans by commercial banks and financial institutions.

On the question of 'unilateral' increases by the Centre in the dearness allowance for its employees, the note said these "decisions are related to price increases which are essentially a consequence of the policies pursued by the Central Government. But the financial burden of this consequence has to be borne by the State Governments." This burden should be shared by the Centre, it said.

Suggestion on overdraft: The overdraft regulations now in force were causing problems for the States. Under existing rules, State Governments can overdraw their account with the Reserve Bank of India only for seven working days. The note suggested that the period be extended to 30 days, as seven days was far too short a time in the context of the tremendous growth in the volume of transactions.

The other points mentioned in Mr. Jyoti Basu's note related to the setting up of an Inter-State Council and the recent disclosures about the illegal accumulation of wealth abroad. It ended on the note that "only the united will of the people can reverse the trends revealed in the policies and actions of the Central Government."

The statement issued at the end of the conference incorporated many of the ideas enunciated by Mr. Jyoti Basu's note.

Madras THE HINDU in English 27 Apr 87 p 7

[Text]

NEW DELHI, April 26.

The following are extracts from the document released after the meeting here on Saturday of the six non-Congress (I) Chief Ministers of Andhra Pradesh, Karnataka, Kerala, Punjab, Tripura and West Bengal, Mr. N. T. Rama Rao, Mr. Ramakrishna Hegde, Mr. E. K. Nayanar, Mr. Surjit Singh Barnala, Mr. Nripen Chakraborty and Mr. Jyoti Basu.

The meeting took note of the suggestions of the Chief Ministers of Andhra Pradesh and Karnataka, for a confederation of like-minded parties at the national level, based on an agreed programme.

The Chief Ministers suggested that the proposed meeting of the Opposition parties should discuss this proposal in detail. It was agreed that the basic issue before the parties was not simply one of an electoral alliance, but one of their coming together in terms of a common economic-social programme to safeguard the interests of the common people.

Probity in public life: The meeting expresses its concern over the recent disclosures on allegedly illegal accumulation of wealth abroad and deals relating to defence items. The way to resolve this problem is to take Parliament and the people into confidence and organise a probe in such a thorough manner that will be deemed generally satisfying.

This meeting takes note of the disillusionment of the common people about the economic policies of the Central Government. Problems of inequality, unemployment and inflation have become more acute over the years. Land reforms have been ignored. There has been a general failure to absorb the working force adequately in the production structure, in agriculture and industry, resulting in a fall in the purchasing power of the common people.

The purchasing power of the people got eroded by the continuing inflation. Here, the Centre's deliberate decision on deficit financing and to increase the administered prices of essential raw materials, such as coal, steel and petroleum products and also of food items has acted as a significant factor behind this inflationary spiral.

Alternative to production planning: Confronted with the situation, the meeting thinks it necessary to have an alternative approach to production planning. It should begin with land reforms and then support the working farmers with the provision of other non-land inputs. Every attempt should be made, in agriculture and industry, to absorb, as far as possible, the working population so that there may be a cor-

responding generation of purchasing power of the common people.

Some social control is necessary in the field of marketing and public distribution of essential commodities. This control is required to provide the cultivator with remunerative prices and also to protect the interest of consumers against the machinations of middlemen.

Uniform price needed: This cannot be done simply at the level of any one State. The Central Government will have to be persuaded to assume the responsibility for ensuring the supply of major foodgrains, industrial raw materials and essential commodities all over the country at a uniform price.

Unilateral decisions: What is disturbing, however, is that while the Sarkaria Commission is still working on the basic problem of Centre-State relations, certain unilateral decisions are being taken by the Centre to further centralise resources in its hand. The most glaring among these relates to the decision of the Centre to periodically increase the administered prices of essential commodities instead of adjusting excise duties the proceeds from which are to be shared with the States. As a consequence, the States have been deprived of thousands of crores of rupees of revenue. We strongly urge the Centre to share 40 per cent of the extra resources raised through any such increase in administered prices in line with the sharing principle of excise duties.

Another disturbing feature has been witnessed in the sphere of banking. The Central Government has recently taken unilateral decision to make, from the standpoint of saving, bank deposits more attractive than small savings. Receipts on small savings are related to the resources of the State Government. If, as a result of this unilateral decision of the Centre, there is any fall in the resources of the State, it is strongly demanded that there should be corresponding compensation by the Centre for each of the affected States.

Say for States in banking urged: There is an urgent need for institutionalising interaction between the States and the banking sector. It is important that the State Government should have some right to offer advice on the manner of deployment and the terms and conditions of loans advanced by the commercial banks and other financial institutions. To begin with, the State Governments must be allowed rotational representation on the local boards of directors of the bank too. Similarly, the State Government should have adequate representation in the composition of the board of directors of the

nationalised banks. On the important question of licensing of large and medium industries, the Central Government now takes unilateral decision. It is strongly demanded that the organisational arrangement should be made so that the State Governments can have effective say in this matter.

The Central Government periodically provides compensation, in terms of dearness allowances, to its employees and unilaterally decides on upward revision of their pay scales, etc. These decisions are related, among others, to price increases which are essentially consequence of the policies pursued by the Central Government. But the financial burden of this consequence has then to be borne by the State Governments for which none of them is responsible. This financial burden of the State Governments should at least be shared between the Centre and the States.

The State Governments are facing serious difficulties due to the existing overdraft regulations. Under the present system, the State Governments can overdraw its account with the Reserve Bank of India only for a period of seven working days.

Considering the tremendous growth in the volume of transactions of the Government, it is strongly felt that this period, as well as the limit

of ways and means advance, be significantly raised.

Since there is a huge piled up stocks of food-grains (exceeding 30 million tonnes), this meeting urges the Central Government to use it more extensively for purposes of rural employment programmes and also to widen the coverage of these programmes in the urban areas as well. In deciding on the guidelines of these programmes, there has to be more of a two-way interaction between the Centre and the State Governments, instead of any unilateral decisions by the Centre.

The conference strongly feels that the financing commission should be raised from its present level to a more autonomous status and the interaction between the States and the Planning Commission should be made more regular and institutionalised.

In the sphere of public mass media and communication there are reasons to be disturbed by the way the decisions on the programmes in radio and television have also been unjustifiably centralised and misused. It is strongly demanded that one station for radio and one channel in television be reserved for the State Government.—PTI

Post-Meeting Press Conference, Results

New Delhi PATRIOT in English 26 Apr 87 p 1

[Text]

A call for programme-based opposition unity was given on Saturday by six opposition chief ministers in order to bring about a greater degree of cohesion among opposition parties with the eventual aim of providing a viable alternative to the Congress.

Addressing a crowded joint news conference after their meeting, the chief ministers clarified that such an opposition unity would neither mean an opposition electoral front nor the loss of the individual parties' identities. It was meant to be "a front of like-minded parties which will adopt a common programme in the interests of people".

Speaking on their behalf, West Bengal Chief Minister Jyoti Basu announced that a meeting of opposition parties would be held next month followed by a similar chief ministers' conclave in mid-June. While the former would be hosted by Andhra Pradesh Chief Minister N T Rama Rao, the latter would be hosted by Karnataka Chief Minister Ramakrishna Hegde.

Mr Basu said that the opposition strategy in the Haryana poll and the Presidential election would be discussed at opposition parties' meeting. Efforts would be made to involve other opposition parties and two other chief ministers, Mr Nar Bahadur Bhandari of Sikkim and Mr Laldenga of Mizoram, in these meetings.

Mr Basu said that the opposition felt that the mood of the people has changed in recent months and there was growing disillusionment with the policies of the Government. The meeting of opposition chief ministers has been held in that context as it was felt that in order to articulate "the hopes and aspirations of the people we should get together".

He cited the recent electoral defeats suffered by the Congress in West Bengal and Kerala as evidence of people's disenchantment with the ruling party. The recent alleged scandals involving the Government has heightened this sense of disenchantment, he added.

Mr Basu, however, conceded that there were differences among the opposition parties but hoped that a common programme could nevertheless be worked out.

Asked if his party, the CPI-M, shared the idea of a confederation of opposition parties at the national level as contained in Mr Rama Rao's concept of "Bharat Desam", Mr Basu said: "It has been made clear before that our party will not obliterate its identity. However, we feel that no single opposition party can provide an alternative. So we will have to come together".

The indications are, therefore, that while the Marxists would not accept a merger of parties, they would nevertheless be agreeable to explore the possibilities of having a united front at the Centre, a concept which has worked successfully in states like Kerala and West Bengal.

After the meeting, an opposition leader, who was present there as an observer, said that the first task for the opposition was to give a united fight in the coming Haryana election. He conceded that the task was proving difficult because of differences between the two groups of Lok Dal, headed by Mr Devi Lal and Mr Ajit Singh, respectively.

A significant outcome of the meeting is that the CPI-M appears to have been able to persuade other opposition parties to come round to its point of view on issues of industrial policy, land reforms and other economic matters. The single point that finds mention in Mr Basu's note but not in the joint document released after the meeting is his fear that imperialist forces might exploit the current political uncertainty in the country.

The CPI-M's emergence as the main opposition force was also evident from the fact that Mr Basu tackled an overwhelming majority of newsmen's questions. Not only that, he was the only one who described Congressmen,

including Mr V P Singh, as a bunch of spineless politicians who could not defy their leader, Mr Rajiv Gandhi, and come out in the country's defence. He, however, added that the issue of Congress leadership was an issue which could only be decided by its party men.

It is learnt that Punjab Chief Minister Surjit Singh Barnala has advocated restraint on the part of opposition parties in their effort at replacing the Government. Speaking at the meeting, he is understood to have pointed out that the situation in Punjab might suffer in the event of a higher degree of political uncertainty.

Asked if he was not testing the Central Government's patience by attending the opposition chief ministers' meeting since his Government was dependent on Central support, Mr Barnala said that Akali Dal was the first party to raise the demand for a re-ordering of Centre-State relations and as Saturday's meeting was to discuss the same issue he had "every right" to be present.

Mr Rama Rao said there was an "imminent threat" to the Constitution and the democratic way of life because of the Centre's rapid loss of credibility. He said at the meeting that the Government during the last two years "has done little to inspire confidence in the people. The Punjab issue continues to be a smouldering cauldron".

"The bogey of destabilisation of the economy and danger to the security of the country is conveniently raised by the Congress whenever it is faced with incriminating evidence regarding some allegations", he said.

Asked what was his reaction to Congress leader Anand Sharma's description of Telugu Desam as a "right reactionary party" which was out to destabilise the country, Mr Rama Rao said that such a description of his party was "an insult" to the people who had elected it to power.

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CSO: 4600/1689

PIR PAGARA'S ROLE IN PRESENT PAKISTANI POLITICS ANALYZED

Karachi JANG (Supplement) in Urdu 25 Mar 87 pp 4,13

[Article by Mukhtar Aqil: "Pir Pagara and G.M. Syed Become Friends"]

[Text] The Muslim League Party has been in power for almost 2 years, however, its former president, Pir Pagara has proved through his "miracle worker" personality that he still has full control over the country's politics. There is no opposition leaders in the country who does not have a soft spot for Pir Pagara. Pir Pagara's position as a leader of the country is still undisputed even though the Muslim League is in power. From his statements it appears that any day he can lead the opposition parties against the government.

Pir Pagara spent the last month contacting various leaders all over the country. The most talked about contacts among these have been with Benazir Bhutto, chairperson of the Pakistan People's Party (PPP) and G.M. Syed, founder of the Jiey Sind Movement. Pir Pagara has denied meeting Miss Benazir Bhutto, but according to some sources he did meet her. The meeting between Pir Pagara and Benazir Bhutto was arranged by Pyar Ali Ilana, a PPP leader who is also close to Pir Pagara. They both are believed to be very interested in astrology. Pir Pagara met with Begum Nasrat Bhutto, when Zulfiqar Ali Bhutto was still in jail in connection with the Nawab Mohammad Ahmad murder. Begum Nasrat Bhutto had requested Pir Pagara to use his influence in getting her husband pardoned from the death sentence. Pir Pagara remembers that he had told Begum Nasrat Bhutto how to save her husband's life. However, no body knows what advice Pir Pagara gave Nasrat Bhutto. There was no contact between Pir Pagara and the Bhutto family after the hanging of Zulfiqar Ali Bhutto. Recently, when there was a confrontation between Mian Nawaz Shareef, chief minister of Punjab, and the supporters of Pir Pagara and there were talks of no confidence motion against the chief minister, Pir Pagara had threatened to unite with Benazir Bhutto. According to close associates of Pir Pagara this was a "hint" which was picked up by the concerned parties. However, when President Zia offered to act as moderator, Pir Pagara accepted it even though he did not like it. Now we learn about his meeting with Benazir Bhutto. According to some political circles, Pir Pagara is expert at manipulating various political situations. He always lets a powerful opponent know that he carries several trump cards in case his is put in a difficult position. He is equally at home in politics as in horse racing. These days he is very interested in a rare kind of tiny fish he is raising in his house, "Kangri

House." Like the fish, he knows how to swim expertly in the political pool. Punjab and some political circles are very disturbed at the great movement of "nationalism" in both rural and urban areas of Sind. Pir Pagara had a meeting with Jiey sind's veteran leader, G.M. Syed, in his village Sun and has proved to everyone that only Pir Pagara will be able to save the country from this flood of "nationalism." G.M. Syed has not only called Pir Pagara as "our leader" and "hero" but has also given him the title Sind's sardar (chief). He also said that only Pir Pagara can save Pakistan. So, if you want to save Pakistan, you have to get cooperation from Pir Pagara and Pir Pagara will be happy only when the whole Sind is happy! G.M. Syed has proposed a round table conference to include himself, Khan Abdul Ghaffar Khan, and Pir Pagara. According to Syed, this conference will decide that since Jinnah's Pakistan is finished, a constitution for a new Pakistan should be written.

Pir Pagara's relationship with G.M. Syed is not new either. There was a festival celebrating Shah Sadar's anniversary at Lakki in Daud district. Pir Pagara participated in this festival and went to see G.M. Syed at Sun. Pir Pagara claims that before proposing Mohammad Khan Junejo's name for the position of prime minister, he had consulted with five important people. G.M. Syed is one of those five people. Pir Pagara, G.M. Syed, and Matiar's Lakiari Sadat belong to a "spiritual" group called Kazimi Sadat. This spiritual brotherhood has brought them together.

Pir Pagara also met with Ghulam Mustafa Jatoi, chairman of the National People's Party. This meeting was "incidental" and took place on a road, but both leaders spent a long time exchanging ideas while sitting in the car. Veteran politician Nawabzada Nasruallah Khan, a prominent leader of the MRD, feted Pir Pagara at the Karachi residence of Mushtaq Mirza. They are known to phone each other often. According to political sources, during the recent MRD convention, a party leader visited the "Kangri House" to bring Pir Pagara up to date. Pir Pagara calls Maulana Shah Ahmad Noorani, leader of Jamiat-e Ulema-e Pakistan, his younger brother. Even though Maulana Noorani claims that his relationship with Pir Pagara is limited to visiting Pir Jogoth [Pagara's religious seat], it is believed that Pir Pagara has a soft spot for Mr Noorani.

Pir Pagara has played the political game with such cleverness that he has become the most important figure in country's politics. Miss Benazir Bhutto has proved from her recent visit to the inner parts of Sind that she is still the most popular leader in Sind. However, she has not succeeded in using the required "diplomatic" channels. The PPP has a stall with its own flag during G.M. Syed's birthday party convention at Sun on 19 May. She still needs to win trust of other popular leaders. Abdul Wahid Aresar, chairman of Jiey Sind Movement does admit that Miss Bhutto is very popular, but he also claims that they (Jiey Sind) have defeated her on the ideological front. Similarly, the Muhajir factor has caused problems for the PPP and other parties in urban areas. Pir Pagara stands tall and distinguished in this murky political scene. Professor Ghafur Ahmad, vice president of Jamaat-e Islami, called Pir Pagara "the president" after burning his effigy in Islamabad. Pir Pagara, before going to Professor Ghafur's ceremonial dinner, had announced that he would start some "fireworks" at that dinner. When he was questioned about the "fireworks" at the dinner party, he parried the question and said that only

the Jamaat-e Islami and the military have access to such fireworks. Despite this evasive attitude, some of Pir Pagara's talk at that party was pretty "loud." Without saying much, he did manage to hint about some sensational things. He let the opponents of the quota system in Sind know that the quota system was started by the late Zulfiqar Ali Bhutto for ending the disparity that had resulted when the "one-unit" was eliminated. He hinted that ending the quota system would mean putting Karachi under the federal government's control. In response to an effort by Abdul Istar, former mayor of Karachi, to merge Karachi into the province, Pir Pagara had said, "Does that mean Quaid-e Azam was wrong?" At that time he told about a meeting after the one-unit was eliminated in 1969. He had joined G.M.Syed, Pir Ali Mohammad Rashidi, Ghulam Mustafa Bhargari, and Shiekh Abdulmajid Sindhi at Mr Jasmot's residence. The first four politicians supported the idea of making Karachi a part of Sind. Pir Pagara wanted to leave Karachi in the same format as it was before the one-unit was established. Inclusion of Karachi into Sind would cause imbalance in th population which in turn would cause many new problems for the government of Sind. His advice was not accepted and Karachi was merged into Sind. The quota system was born out of this merger. Shah Faridul Haq said that 40 percent of the jobs were reserved for Karachi, Hyderabad, and Sakkar and the remaining 60 percent were for the other areas. The provincial assembly, however, does not have seats distributed according to this system. Haroon Ahmad, a Muslim League leader who was sitting behind Pir Pagara with Shiekh Liaqat Haseen, president of the Muslim League, told Shah Faridul Haq that these areas already have 33 seats and may get 8 more. Pir Pagara also discussed Karachi Municipal Corporation. Professor Shah Faridul Haq asked Pir Pagara to solve the problems of the municipality. Pir Pagara said that only the mayor is sitting at home and there would be new municipal elections in October. Shah Faridul Haq asked why were they afraid of holding elections on party basis? Pir Pagara replied that he was not afraid of that because anyone winning the election without party support would join him. Discussing the division of Punjab and the establishment of a "saraiki" state there, Pir Pagara said that the capital of the divided Punjab would be Pothohar. He hinted that Islamabad would be moved here. He was implying that there would be a provincial reorganization, Karachi would become the country's capital again. Muslim League has already made proposals of this nature several times.

The major reason for Pir Pagara's renewed relations with G.M. Syed, Ghulam Mustafa Jatoi, and Maulana Shah Ahmad Noorani is to "defuse" the increasing pressure from various political groups resulting from the introduction of the Shariat Bill in the Senate. He discussed several new political issues at Professor Ghafur's dinner in order to confuse his political opponents. Whenever he supports the rival politicians' view that the present circumstances call for national elections before 1990, he adds that the situation could change so that the elections would not take place until 1992 or 1994. He declares the elections a must sometimes and the next day he announces that only the politicians are demanding new elections, the people are not interested in them! He accepts the 1951 proposal in which 22 points presented by the 31 scholars representing various organizations for establishing an Islamic rule are included. However, he considers the Shariat Bill a baby left at the church door. This baby is not wanted by anyone but Jamaat-e Islami. He also believes that the new Muslim League "will rear other people's babies." He is fully convinced that the present government will stay

in power until 1990 because the armed forces and the government have agreed to it. Professor Shah Faridul Haq agrees with him. He knows that agitation against the government means fighting with the army, which in turn means throwing the country into the fire of hell. In response to a question why he was demanding a round table conference if he was opposed to agitation against the government, he said that issues requiring immediate attention would be discussed in a round table conference.

No political party, including the PPP, supports the idea of changing the government by agitation. Some of MRD leaders, including Nasimuddin Qamar of the Pakistan Muslim League (Malik Qasim Group), openly believe that most political parties are not willing to start a movement against the government and demand for elections in 1987. All parties, including the PPP, have started preparations to participate in the upcoming municipal elections. The government cannot bear the burden of holding municipal and general elections during the same year. Thus, the only option left for the political parties is to boycott municipal elections if they want to force the government to hold general elections in 1987. Some politicians believe that the present government has used the municipal elections as an excuse to divert attention from the demand for general elections. In 1979, when municipal elections were held after the general elections were postponed, even the PPP had taken part in those elections. Its candidates had called themselves "people's friends." Political parties had lost most of their experienced and trained workers who got elected as councilors in municipal corporations and joined ranks with the government. As a result of these municipal elections, Ghulam Majataba Isran had welcomed Ziaul Haq right in the home district of Zulfiqar Ali Bhutto as the chairman of the local municipal committee! Ghulam Majataba Isran has joined the PPP again. President Zia had used the 1979 municipal elections to pave the way for establishing his new government. Later, when the MRD threatened to agitate, he had presented his elections formula on 12 August.

The government is using the municipal elections to divert attention from general elections once again. The 1983 municipal elections were the biggest reason for the failure of the MRD movement. The MRD order to boycott municipal elections in Punjab were not followed and the politicians got involved in the municipal elections. Politics are in a turmoil again and here come the municipal elections again in October 1987!

President Ziaul Haq has proved that he is an expert administrator by using all these tricks. He had very successfully managed to transform various political pressures into "political fever." As an important supporter of the government, Pir Pagara has joined the ranks of the opposition and has used his God-given talents in confusing the political situation. Meanwhile, Prime Minister Mohammad Khan Junejo raised another question mark by visiting Maulana Fazalur Rehman, a prominent leader of the MRD, right in his own village. Maulana Fazalur Rehman has proposed a "round table conference" to counter the demand of such a conference made by Jamiat-e Ulema-e Pakistan. Thus, two similar demands are nullifying each other. Pyar Ali Ilana of the PPP has clearly indicated that he would participate in the MRD round table conference only. Both groups claim to have originated the idea of having a round table conference. Meanwhile, the prime minister has established a committee to reenact the 1973 constitution. This issue is also being used as a "carrot." An

MRD leader has confessed that the government has too many resources and the opposition becomes a "helpless majority" before it. Abid Zuberi, leader of the Awami National Party, observed that the general elections will not take place until the agencies that have burdened Pakistan with loan after loan are convinced that general elections would be beneficial for them. These international economic agencies are controlled by the IMF. Pir Pagara had said in 1983 that the Muslim League did not want to transfer power, but to delegate power. The present political situation in the country appears to be the result of that philosophy.

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CSO: 4656/71

KULDIP NAYAR INTERVIEW WITH A.Q. KHAN ANALYZED

Islamabad HURMAT in Urdu 29 Mar 87 pp 8-21

[Report by Zahid Malik: "Strict Security Measures Taken to Protect Dr Khan; Prime Minister Junejo Enraged"]

[Excerpts] I visited the prominent atomic scientist Dr Abdul Qadeer Khan at his beautiful residence in the Margila hills at 5:00 pm on Thursday, 29 January. Whenever I ask for an interview with Dr Khan, he sends his car to pick me up. I make small talk with his driver Allah Ditta (who is a retired soldier and one of his most devoted employees) while being driven to his house. When I arrived at his house in his car, I noticed that two red flowers had blossomed among the Holland tulips that the gardener had planted near the main gate. When I entered their drawing room, Mrs Honey Khan said in English, "Mr Malik, yesterday Dr Khan made a big mistake. He allowed an Indian journalist to visit him. My sixth sense is telling me that it will cause many problems." Before I could ask her the details of this "mistake" Dr Khan said, "Since I have not told anything objectionable to this Indian journalist, I see no reason for any problems."

I know enough about this venerable son of our country to say that he is very careful and patriotic. He would never say anything to an Indian journalist that might be detrimental to the security of our beloved country. However, after listening to the details from Mrs Khan, I concluded that it would have been better if Dr Khan had not allowed this Indian journalist in his house. Even though we know well that Dr Khan would never say anything objectionable even to a Pakistani, much less an Indian journalist, I shared Mrs Khan's fears. As a journalist I could see that when this meeting is known to the anti-Kahuta lobby (which is working for some foreign power), they will open another tirade against Dr Khan. On my way back I was very heavy-hearted. In order to console myself, I told Allah Ditta, "Dr Khan has made a big mistake by letting that Indian journalist visit him. He does not know how those people in Islamabad working against him will distort this meeting." Allah Ditta remained silent, but I could see that he was worried.

Days passed and the whole month of February was gone. During this time, I expressed my fears to some of my close friends. When Shameem Rizvi, publisher of the daily MUSLIM and a close friend of mine, visited me on 13 February, I told him that his editor, Mushahid Hussain, had committed a grave mistake. Mr

Rizvi was very upset when I told him the details. However, as the month of February entered its last week, I began to feel less worried. I concluded that since this unscheduled meeting with the Indian journalist was very informal, perhaps he was just curious about this mysterious Dr Khan. He might just have wanted to take a look at the creator of the "Islamic" bomb. Slowly, the importance of this incident began to wane.

Commotion in President's House -- On 28 February, there was a great commotion in the Army House where President Zia lives and is known as the President's House. According to our sources in the President's House, the president was greatly agitated when he received a telephone call from London when the tired sun was setting behind the hills of Margila.

Before I go into the cause of President Zia's worry, HURMAT's readers should know that Shaheryar Khan, Pakistan's recently appointed ambassador to England, had gone through a very distressing experience. Pakistanis living in England was calling the embassy official repeatedly. I have observed that Pakistanis living abroad become more patriotic. According to Sayyed Gailani, London correspondent of the HURMAT, telephones in the offices of Shafiq Alazman, embassy press attache, and Raziuddin Sheikh, information minister and former director of public relations of WAPDA, were ringing incessantly. What happened was that the OBSERVER, London's widely circulated newspaper, carried an advertisement announcing "a sensational interview with the mysterious Pakistani Dr Abdul Qadeer Khan, Pakistani hero and creator of the 'Islamic bomb' by Kuldeep Nayar." The embassy sources had learned that the interview was very damaging and Kuldeep Nayar was saying that Pakistan had already made an atomic bomb.

Obviously, at a time when the U.S. Congress was debating a \$4.2 billion aid to Pakistan, an interview like this could cause serious problems for Pakistan. Not only the diplomats in our embassy, but Pakistanis living in London were aware of it. An educated taxi driver living in London commented, "This is a part of a large scale conspiracy against Pakistan."

The embassy informed our foreign minister in Islamabad as well as President Ziaul Haq, and Prime Minister Junejo about this situation and the fears and concern felt by the Pakistanis living in London. The president, who has been involved with the Kahuta plant for a long time and is personally interested in atomic energy, was greatly agitated. His experience and analysis of the situation told him that "India has shot an arrow against Pakistan." In order to counter the tumultuous situation that might arise from this publication, the president asked his ADC to invite Dr Khan for a meeting at 8:00 am the next day. Dr Khan had learned before he arrived that an interview by Kuldeep Nayar involving him was being published. He was puzzled because he had never given an interview to Kuldeep Nayar. He was, as usual, calm and composed. His smile showed that honesty wins and the truth prevails.

We assume that the president listened to the details of this alleged interview from Dr Khan. The president listened to what Dr Khan said and, using his vast experience, also understood what Dr Khan did not say. Then he mentioned what kind of harmful results could come out from such an interview. We can also assume that the president advised Dr Khan to completely stay away from all

members of the foreign press. Dr Khan was very thoughtful when he returned after meeting the president. The president was also very perturbed.

A Shocking Interview by the MUSLIM -- The OBSERVER published Kuldip Nayar's sensational interview (reproduced on pages 20-21) on 1 March. The daily MUSLIM (Islamabad) and the NATION (Lahore) also published this alleged interview with Dr Khan by Kuldip Nayar. Kuldip Nayar writes for these two newspapers also. How appropriate is for Pakistani newspapers to have a Hindu journalist represent them and how beneficial is it to our country to have poisonous language of a bigot like Kuldip Nayar be made public? These are questions of separate nature. All I want to say at this point is that two large Pakistani newspapers caused a hideous situation in the country. The interview published in the MUSLIM (excerpted on pages 18-19) was especially damaging. This influential newspaper is published from our capital and most of government officials as well as diplomats stationed in Islamabad read this English daily first. I called Dr Khan immediately and asked what was the background of this interview. Dr Khan replied, "Mr Malik, this is a bundle of lies."

Security Measures and Enraged Commandos -- There was a great uproar in all Pakistani intelligence agencies at the publication of this interview. No one could understand how an Indian journalist succeeded in meeting with Dr Khan. Officials of various intelligence agencies went immediately to their committee rooms, hung maps on the walls, and lit red bulbs outside their door. All this indicated that they did not want to be disturbed during these very important meetings. The whole security system came under scrutiny. The important question was how could an Indian journalist meet Dr Khan despite several layers of impregnable security. The second question under discussion was if a foreigner could succeed in visiting Dr Khan then could not another foreigner (or a Pakistani) access the Kahuta plant?

Another meeting of high officials responsible for security around the Kahuta plant was also called. These officials, who are associated with the military, learned at the same time as this interview was published that Kuldip Nayar had managed to meet Dr Khan with the help of the editor of the MUSLIM. The anger of these officials against Mushahid Hussain is understandable. The whole incident involving this interview was called a conspiracy. Young commandos stationed outside and around Dr Khan's house were enraged when they learned that Mushahid Hussain had taken advantage of his personal contacts with Dr Khan and had brought an Indian journalist to see him. When Dr Khan arrived at his residence from the Kahuta plant at 6:00 pm, a 30-year old commando came forward, saluted him, and said in a very angry and hurt voice, "Sir, Mushahid Hussain has insulted us. We will crush his skull and teach him a lesson that his family will remember forever." Dr Khan patted the angry commando's shoulder and told him not to worry and that everything would be fine. He entered his residence surrounded by security guards.

General Aarif's Concern -- I learned that 2 hours after the publication of Kuldip Nayar's interview General Khalid Mehmood Aarif, chief of the army staff, invited the prominent atomic scientist to the general headquarters. The military mind of General Aarif had assessed the possible damages that this interview could cause. Many things could have happened as the result of this interview. (I will list the possibilities later in this article.) General K.M.

Aarif is a strict disciplinarian and believes in well-structured organization. He also has a heart of a sensitive poet. He usually sports a nice smile. He speaks little, but his silence communicates a lot to the other party. When Dr Khan arrived at the GHQ, he met General Aarif instead of Aarif the poet. His face showed anger and the mind that is always thinking about his country's welfare was worried. Dr Khan, however, told the same thing to General Aarif that he had told President Zia the previous evening.

Ghulam Ishaq's Worry -- HURMAT (Volume 6, issue 1, 31 December 86, page 34) had chosen the internationally famous atomic energy scientist Dr Abdul Qadeer Khan the Man of the Year. At that time, we wrote that Ghulam Ishaq Khan, chairman of the Senate, had played a very important role in establishing the Kahuta research plant and making it world famous. As minister of finance, and before that while working in various positions, he had provided the required money necessary for this plant. I have always heard Dr Khan praising Mr Ghulam Ishaq Khan. Mr Ishaq Khan's nervousness when the MUSLIM published this interview was natural. According to my information, the Senate chairman also contacted Dr Khan and questioned him.

How did Kuldip Nayar enter Dr Khan's house? This was the question asked of Dr Khan by various high officials on the phone all day. After long discussions, it was decided that Dr Khan should issue a press release explaining the situation and denying being interviewed. Thus, Dr Khan issued his explanation to the press.

F-16 Planes Over Kahuta -- By the evening (the evening of 1 March), all policy-making officials began to give importance to the rumors that countries that have often considered to destroy Kahuta (Israel) and the one whose designs against Kahuta were no secret (India) might attack Kahuta at the insistence of some superpower, now that an Indian journalist had declared that Pakistan has an atom bomb with reference to Dr Qadeer Khan. This interview was published in the OBSERVER and the entire world was aware of Pakistan's Islamic bomb. These rumors created an atmosphere of confusion in Islamabad. A news story describing Israel's request for India's cooperation in destroying the Kahuta plant had been published only a few days earlier. According to that new item, India had not agreed with Israel to launch a joint attack on Kahuta. Israel had sent this secret message to India last year through one of its ministers who had visited Paris and had contacted a high level Indian diplomat. According to Kaul Singh, HURMAT's correspondent stationed in New Delhi, India had decided not to take a "big step" because of Gorbachev's "cool attitude." This background was the reason for the fears in Islamabad. Now that the "James Bond" of Pakistan had admitted having made an atom bomb, India's attacking Kahuta would be considered a justifiable action around the world. A senior journalist called me at night and said, "Mr Malik, this night is very 'heavy' for Pakistan." Important officials were exchanging their ideas and the rumors spread far and wide. The ultra-modern fighter planes, F-16, began to fly around Kahuta. Hot blooded martyrs-to-be began to search the dark skies. They were ready to shed their blood to protect the land of their birth.

Three Mistakes of Mushahid Hussain -- The main cause of all of Dr Khan's troubles was the three mistakes made by Mushahid Hussain, editor of the MUSLIM. Why did he take Kuldip Nayar to Dr Khan's home and what was the

purpose of the visit? Did he go there with Dr Khan's permission? I will answer these and some other questions later and also expose real facts. First, let me explain the three gross mistakes that Mushahid Hussain made. The first was made on 1 March and the second on 2 March. The third was also made on 2 March but was discovered on 3 March.

I said earlier that when I visited Dr Khan on 2 March I found him worried for the first time. Pressure from different sides was increasing on him. He was being told repeatedly that the \$4 billion aid from the United States might be stopped. Of course, he would be responsible for this huge loss to the country. Dr Khan was optimistic that the United States will not stop the aid and that it could not afford to do so. He was upset that he had caused problems for the president, the prime minister, and the government. The second reason for his distress were Mushahid Hussain's three mistakes which I will detail now.

This first mistake was made on 1 March when Dr Khan's denial was issued to the news media. This denial was heard all over the world the same day. Two most famous broadcasting agencies in the world, the Voice of America and the BBC, broadcasted Dr Khan's denial with full details. At that time it appeared that any harm done by Kuldip Nayar's interview was taken care of. Unfortunately, the FINANCIAL TIMES, a prominent British newspaper, turned the whole affair around again. Soon after the BBC broadcasted Dr Khan's statement rebutting the interview, Simon Anderson, a Jewish reporter for the FINANCIAL TIMES, called Mushahid Hussain from London and told him that after the denial issued by Dr Khan about being interviewed by Kuldip Nayar only he (Hussain) could clear up the situation. He was, after all, present during that interview. Mushahid Hussain replied that, "I confirm that this meeting took place for about 1 hour. As for this meeting being accidental, all I can say is that such meetings are not arranged without prior agreements." Mushahid Hussain was still talking with Mr Anderson when the phone line went dead. According to my information, the telephone agency broke the connection fearing Mushahid Hussain might tell more to this foreign correspondent. This brief conversation between Mr Anderson and Mushahid Hussain was published in the 2 March issue of the FINANCIAL TIMES. So, on 1 March Mushahid Hussain, in a reply to a question by a British newspaper, confirmed that Kuldip Nayar was right and disagreed with Dr Khan's statement that this meeting was not planned.

The second mistake was when K.S. Singh, India's ambassador stationed in Islamabad telephoned Mushahid Hussain at about 8:00 pm on 2 March. Mr Singh asked him, "Mr Hussain, Dr Khan has denied being interviewed by Kuldip Nayar. Can you say something about this issue?" Dear readers, I am not sure what went on between the Indian ambassador and Mushahid Hussain. All I can say at this point is that the Indian ambassador telephoned several important Pakistani officials and objected to Dr Khan's denial about making an atomic bomb issued by the government. He told them that Mushahid Hussain had just informed him that Kuldip Nayar's interview was correct and true and that Dr Khan had confirmed in his presence that Pakistan had already made an atomic bomb. One of the government officials whom the Indian ambassador had contacted told me about it himself. That noon (about 12:30 pm) I called Mushahid Hussain and asked him why did he tell all that to the Indian ambassador? Mushahid Hussain replied that the Indian ambassador was wrong. All he (Hussain) said was, "No comment." Personally, I believe Mushahid Hussain. I have no reason not to

trust him. The Indian ambassador, however, put Hussain in a very difficult position by using his information to lodge a protest with the Pakistani Government. The Indian ambassador used Mushahid Hussain's name repeatedly to strengthen his case. He made Mr Hussain a witness. Thus, our government's anger toward Mushahid Hussain increased greatly.

Mushahid Hussain's third mistake was revealed when Dr Abdul Qadeer Khan and I visited him at his house in the evening of the same day. The reason for our visit to Mushahid Hussain's home was Dr Khan's concern upon learning that Mushahid Hussain had confirmed Kuldeep Nayar's interview in a conversation with the FINANCIAL TIMES and had also talked with the Indian ambassador. He was even more upset because some people were blaming him for stopping U.S. aid to Pakistan. He thought that if Mushahid Hussain continued to talk carelessly, this situation could become even worse. He did not want the government and the country to get into big trouble. Thus, for the greater cause of the country's good, he swallowed his pride and bent his principles, and decided to visit Mushahid Hussain. Mr Hussain served us tea and salted Iranian pistachios, which according to him were sent by the Iranian ambassador the very day.

During this meeting the other side of Kuldeep Nayar's visit to Dr Khan's home with Mushahid Hussain was revealed. I learned that the meeting which took place between Kuldeep Nayar and Dr Khan was of very different nature than the one described by Dr Khan in his statement denying the interview by Nayar. I will go into the details of Dr Khan's denial, the real circumstances under which the interview took place, and Mushahid Hussain's role in this whole drama. I will discuss Mushahid Hussain's third mistake at this point.

When I discussed this whole fiasco with Mushahid Hussain, I told him that it was time we let bygones be bygones. I requested him to please not to say anything to anyone which might confuse the issue even more and hurt our government and the country. Dr Khan also told Mushahid Hussain that keeping in mind the greater cause of our nation to please confirm that he did not give a regular interview to Kuldeep Nayar and that they had a brief informal meeting. "Your retraction would clear up the situation." At this Mushahid Hussain said that, "From now on I will follow on what we agreed upon in this meeting." At the same time he confessed that, "I have written an editorial about your interview which will be printed in tomorrow's edition." At this I objected and requested Mr Hussain either not to publish that interview or used the term Dr Qadeer Khan's alleged interview. I asked him to add "Dr Khan's alleged interview which Dr Khan has denied that he has ever given." I told him that if he used the term "Dr Khan's interview" in his editorial then he would be confirming that Dr Khan actually did give an interview to Kuldeep Nayar. In reply to my request and logic and Dr Khan's appeal, Mushahid Hussain had said, "I will see what I can do."

We were very happy when we returned from Mushahid Hussain's home. We thought that either he would not print that editorial or would make the necessary modifications to meet the country's demands. However, we were shocked to see the next morning that the original version of the editorial was published and every line of the editorial confirmed that Dr Khan did indeed give an interview to Kuldeep Nayar.

Tirade of Anger and Rage -- These three mistakes made many people extremely angry at Mushahid Hussain. Some people even thought that Mushahid Hussain was working for a foreign government. Another group thought that he was working as an agent for the anti-Kahuta lobby and was trying to undermine the pride of Pakistan, the world famous atomic scientist. A group of journalists started a petition appealing the government to take disciplinary action against Mr Hussain. Many newspapers wrote editorials about him. From what I know, many government agencies also requested action against Mushahid Hussain. On 3 March, Dr Khan and Kuldip Nayar faded in the background and Mushahid Hussain became a topic of discussion everywhere!

S.M. Zaffar -- By evening the atmosphere was very anti-Mushahid and I thought that even Mushahid Hussain must have felt the heat of comments made by his opponents. I got a phone call from Dr Abdul Qadeer Khan at that time. He said that S.M. Zaffar was visiting him for a while and would like to join them.

S.M. Zaffar, the leader of the National People's Party and Pakistan's top ranking lawyer, was incidentally in Islamabad at that time. Ghulam Mustafa Jatoi, the president of his party, and some other leaders were also present in Islamabad. Dr Khan and S.M. Zaffar have been friends since a case for "stealing" atomic secrets was filed against Dr Khan in Holland. The "Jewish lobby" and the Western press had called Dr Khan by such fictional names as James Bond and had tried to give him a bad name. Various stories were invented to attack Dr Khan's character. At that time, there were fears that a foreign agent may hurt Dr Khan the way a prominent Iraqi atomic scientist was murdered by an Israeli agent in a Paris hotel. The Pakistani government, therefore, had built an impregnable wall of security around its valued son. At that time, Dr Khan had contacted S.M. Zaffar upon the insistence of one of his friends and had requested him to defend him in that sensational case in Holland. S.M. Zaffar got cooperation from some Dutch lawyers and demonstrated his God-given talents in defending Dr Khan. I have heard Dr Khan praise Mr Zaffar often.

Well, S.M. Zaffar was in Islamabad at that time. It should be known that S.M. Zaffar is a close relative and friend of Mushahid Hussain, the second character of the Kuldip Nayar fiasco. Dr Khan and Mr Zaffar are mutual fans. S.M. Zaffar is equally interested in the welfare of Mushahid Hussain. That evening when we gathered at the residence of Dr Khan, the subject of our discussion was, of course, this very drama. After discussing the issue for a few minutes, we decided that it would be wise to talk to Mushahid Hussain one more time. So we were at Mushahid Hussain's home at about 6:00 pm on 3 March again. This time, Mushahid Hussain, Mushahid's brother once a successful lawyer in the United States and is the officiating editor of the MUSLIM, was also present.

In order to keep my special report brief, I will not go into unnecessary details. All I will say here is that we had a good talk and agreed that Mushahid Hussain should issue a detailed report to clear up the misunderstandings about Pakistan's peaceful atomic program caused by the Indian journalist's ceremonial meeting with Dr Khan. At the same time because Mushahid Hussain had become a target of public criticism and was being called "an enemy of the country," it was decided that Dr Khan would issue a statement

explaining that Mushahid Hussain had visited him with Kuldeep Nayar with his prior permission. This would cancel the belief that he had taken Nayar to Dr Khan's home without his knowledge and had introduced him as a (Muslim) friend. Mushahid Hussain said that had he wanted he would have explained in his newspaper story that he had taken Kuldeep Nayar to Dr Khan's home with his permission. However, he did not think it appropriate to contradict Dr Khan's statement issued on 1 March. At that time Dr Khan said that since he (Hussain) was the only witness of this so-called interview, it was necessary for him to reveal the facts and save the country from being harmed. He (Hussain) could add whatever would help clarify his own position in this statement.

The first draft of this agreement was prepared by Muahid Hussain, but it was mostly one-sided. Later, S.M. Zaffar made this agreement more acceptable. He wrote it with his own hands and read it aloud to us all. He explained each point so clearly that everyone agreed to accept it. This way, S.M. Zaffar's strategy worked. It was decided that this draft would be given to the PPI so it could be distribute to all newspapers in the country.

How Did the Nayar-Khan Meeting Take Place? -- Dear readers, before I explain why Mushahid Hussain did what he did and what was his purpose or tell you how Kuldeep Nayar returned to India and met Rajiv Gandhi or tell you what did our country lose (or gain) from this fiasco, let me tell you how Kuldeep Nayar managed to go to Dr Khan's residence. There have been so many different versions published in various newspapers that the whole issue has become very muddy and unclear. The people are also very confused about this issue.

The fact is that Mushahid Hussain had taken Kuldeep Nayar to Abdul Qadeer Khan's residence with his prior knowledge and permission. My investigations and information indicate that the accusations on Mushahid Hussain for taking Kuldeep Nayar to Dr Khan's residence without his prior knowledge, that the meeting between Dr Khan and Nayar was accidental, and that Kuldeep Nayar was introduced to Dr Khan as Nayar so he would think Kuldeep Nayar to be a Muslim are all false. Mushahid Hussain is not guilty of any of these accusations. All those stories about Mushahid Hussain's smuggling Kuldeep Nayar into Dr Khan's house by abusing his contacts with the prominent atomic scientist are false. I have already explained the mistakes made by Mushahid Hussain. However, the "mistake" of which he is being accused again and again was never made by him. My information (which is verified as correct) reveal that Mushahid Hussain arranged a meeting between Kuldeep Nayar and Dr Khan at the former's request and the latter's knowledge and permission. Mushahid Hussain had explained about Kuldeep Nayar's background over the phone at the same time when he had told Dr Khan about the Nayar's desire to see him. Dr Khan did not have any problem or doubts about this meeting. Therefore, I believe that we cannot accuse Mushahid Hussain about it. However, I would grant the reasoning that Mushahid Hussain should not have taken Kuldeep Nayar to Dr Khan's residence even when Dr Khan had given the permission because of his generous heart. Being a Pakistani, he should not have taken an Indian journalist whose past anti-Pakistani antics are no secret to meet a Pakistani atomic scientist whom too many people want to kill.

Mushahid Hussain's Stand -- I did not ask Mushahid Hussain why he had taken an Indian journalist to Dr Khan's home. However, my meetings with him on 2 and 3 March help me understand his side of the story. I understood his side even better when on 2 March he had told us that he had written an editorial about Dr Khan's interview for publication on the following day. I had requested him not to write that editorial because it would only have made the matter worse and would have adversely effected the U.S. aid to Pakistan. His reply to my request helped clarify his position on this issue.

Mushahid Hussain's stand is based on two basic points. One, Pakistan should not take an apologetic attitude about its nuclear program. Pakistan does not have to hide what it has developed in the atomic area from India and the United States. Instead, it should tell India openly that it should be careful about its anti-Pakistani and expansionist activities. Two, as for the United States, it needs Pakistan as much as Pakistan needs it. The United States is very aware of the strategic location of Pakistan, especially after its interests in this area were hurt when the shah of Iran died. The USSR is busy cleaning up its mess outside the USSR and this has helped our position. Pakistan should not worry about the United States' stopping its aid.

According to my personal investigations and understanding, the main purpose of this whole drama was to undermine the person of the father of the "Islamic bomb." Dr Khan is almost worshipped in Pakistan because of the miracles he had brought about in such a short time. According to a survey, Dr Khan is the most popular and most respected person in Pakistan.

When Pakistan was divided into two parts in 1971 and our prime minister at that time visited India and signed an agreement appeasing India in Simla, every Pakistani was shocked and hurt. Later, during our longest martial law period, our foreign policy toward India had been aimed at hurting every Pakistani's national pride. Pakistanis are convinced by various Indian activities that India has never recognized Pakistan and is still trying to weaken Pakistan and establish akhand (undivided) India. Therefore, Pakistanis are not willing to accept Indian superiority. Dr Abdul Qadeer Khan emerged as a challenge against India's superiority. People know that the secret of Pakistan's safety lies in Kahuta. Now India has two choices to destroy Kahuta and stop its progress or establish its superiority over Pakistan. One option for India is to raid Kahuta by air and the other is to attack Dr Khan and undermine his person.

As regards to attacking Kahuta, India has investigated this possibility many times and even has discussed this issue with Israel. Pakistan, however, has made it clear to India within a few seconds of India attack on Kahuta, 40 modern F-16 fighter planes will take to air and even when India succeeds in downing some of these planes, hot-blooded Pakistani warriors will transfer Indian atomic establishments into rubble. Prime Minister Junejo had declared in a recent interview published in HURMAT that "an attack on Kahuta will be a call for a full-scale war." I remember well that when the prime minister had said this sentence his face had become very serious and hard.

Against this background, India has but one option open if it wants to destroy Kahuta or slow down the atomic research being carried out there. The way India had Kuldeep Nayar's interview published and flaunted shows it is using this option.

Anti-Kahuta Lobby in Pakistan -- Thus, Dr Khan was (and still is) the target of India's Kuldeep Nayar attack. India tried to impress Pakistanis that the U.S. aid to Pakistan was in jeopardy because of the "careless attitude" of Dr Khan.

Unfortunately, this gave an excuse for Pakistan's anti-Kahuta lobby to open its tirade against Dr Khan. This lobby is made up of some people working for the CIA. As soon as HURMAT publishes their black deed along with proofs (which the HURMAT already has), Pakistanis will not allow these people to remain in the country. This lobby directly, and some other groups indirectly, tried to make this talented son of Pakistan a subject of litigations. Pakistanis, however, are not thankless! How could a nation that gave one crore rupees to Mian Dad for scoring a sixer in a cricket match against India forget its idol whose hard work has made them walk with pride? How can it forget the father of the "Islamic bomb" whose deeds have changed to political map of this region? Pakistan has managed to join the rank of six or seven other developing countries that can process uranium. Now Pakistan has changed into a nation on which a country which has attacked it several time will have to think a hundred times before attacking it again.

The Question Marks Reviewed -- Readers, I have taken the liberty of erasing some parts of this special report. Some portions were deleted because the information contained therein was detrimental to the country's security. Other portions were withheld because they would have only started new debates in the country. I am not one of those journalists who would publish anything they know just to become a "great journalist." I am ending this report by inviting you to further discuss some of the question marks that this fiasco has left with us. I am also appealing to those Pakistani newspapers that have given some of their columns to Indian journalists. They should review their policy on this issue.

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